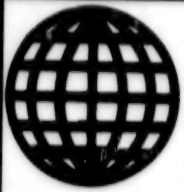


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23 FEBRUARY 1990



**FOREIGN
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JPRS Report

Soviet Union

Economic Affairs

Soviet Union

Economic Affairs

JPRS-UEA-90-007

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ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

Perestroika Failures Examined, 'Extreme' Measures Proposed

904A0147A Moscow *PLANOVOYE KHOZYAYSTVO*
in Russian No 12, Dec 89 pp 21-29

[Article by Prof S. Dzarasov, doctor of economics:
"Reform and the Ruble"]

[Text] To make things perfectly clear, let us say right from the start that the criticism of what we have gone through is necessary. It has long been known that without an analysis and interpretation of the past it is impossible to understand the present and to draw conclusions for the future. Still, there is something beneath our dignity in our silence when it was necessary to talk and in the accusatory enthusiasm today, when it is necessary to think things over. We cannot be aliens from another world in our own earth and pretend that we have not been here before and do not know who did what. Everything was done and is being done with our tacit or loud assent. And if it is true that a timely gift is doubly welcome, then a critical word is especially valuable not afterwards but when a matter can—if it can!—be corrected.

Yes, our ancestors ate too many sour things and this is why our own teeth are on edge. This is why we have mountains of unresolved problems. National conflicts, social injustice and contradictions, economic difficulties... There is no disputing that we have a difficult heritage. But we are already approaching 5 years of perestroika, a period that is not short by any way of measurement. And, in addition to criticism of the more distant past, it is also necessary to give some thought to what we were and were not able to do in these years.

As you know, perestroika developed under the banner of acceleration. But it is no longer fashionable to remember this. The truth is that the situation requires that we talk above all about how unrealistic formulas arise that long separated us from reality and bound the public consciousness.

The reader with a good memory cannot free himself from the oppressive feeling of internal discomfort as he recalls what we have lived through, about which so much has already been written in the press. But apparently it is not easy to get away from persistent habits and we again needed an encouraging formula in the course of perestroika. Acceleration sounded much more attractive after so many years of stagnation. It did not have a serious scientific foundation, its merits consisting in emotional attractiveness. Time passed and it came time to summarize the results, when it was necessary to pay back advances. And we therefore cannot avoid the question of how the strategy of accelerating economic growth was carried out in practice.

The results of 4 years of perestroika indicate that we were not able to achieve the planned acceleration of social and economic development. Let us take the three most important indicators of the development of the national economy—the increase in national income, industrial output and the retail commodity turnover—and compare the past 4 years with the foregoing period.

The data in the table show that the rate of economic growth in the years of perestroika was noticeably lower than what we had in the years of stagnation. This means that the production of consumer goods and the development of the services sphere are lagging far behind the needs of the society. The food problem became even more acute. No really noticeable step was taken toward the acceleration of scientific-technical progress and structural reform. As before, consumer goods comprise just one-fourth of industrial output. Nor is there any change in the structure of produced means of production. Most of them are obsolete kinds of output that do not meet world standards, are not in demand in the world market and are inefficient in operation. As a result, although there was still a small amount of growth, it was with no increase in quality and did not satisfy social and production needs. And this is at a time when it was proposed at the 27th CPSU Congress that by 1990 a significant part of produced output should meet world standards.

	1980	1981	1982	1983	1984	1984	1985	1986	1987	1988
National income										
—Billions of rubles	462.2	468.7	523.9	548.3	570.5	570.5	578.5	587.4	599.6	625.0
—Percent	100	105.3	113.4	118.6	123.4	100	101.4	103.0	105.1	109.6
Total volume of industrial output										
—Billions of rubles	616.3	635.9	721.5	751.3	779.0	779.0	103.8	838.0	870.0	903.0
—Percent	100	103.1	117.1	121.9	126.4	100	103.2	107.6	111.7	115.9
Volume of retail commodity turnover										
—Billions of rubles	278.0	294.5	304.3	314.5	324.8	324.8	333.0	341.2	350.7	366.2
—Percent	100	105.9	109.5	113.1	116.8	100	102.5	105.0	108.0	112.8

The restructuring of the management of the economy (economic reform) that began with the decisions of the June (1987) Plenum of the CPSU Central Committee not only did not resolve the set tasks but did even more to aggravate the crisis situation. The increased independence of enterprises (associations) and their transition to full cost accounting and self-financing were proclaimed. But the Law on the Enterprise and a package of other proposals did not ensure the reality of independence and self-financing of enterprise collectives. On the contrary, they undermined the announced independence in that to a significant degree they maintained the authority of the departments. This set the stage for labor conflicts and speeches by workers, which rolled across the country in a wave in the summer of 1989. After this the Supreme Soviet made necessary corrections to the Law on the Enterprise.

The implementation of the inadequately scientifically based and practically unprepared restructuring of management had severe consequences. Having begun the dismantling of the planned administrative system of managing the economy, it did not put into effect a mechanism of market incentives and equalizers. It was not realized that full cost accounting is possible only under the conditions of a free market and economic competition at equal state, cooperative and joint-stock enterprises as well as joint ventures. If such conditions do not exist, then the system for managing remains the old one and cost accounting and independence are incomplete. Hence state orders did not resolve the problems that arose, wholesale trade was impossible and the independence of the collective amounts to the right to raise prices and wages.

Under the conditions of the lack of a mechanism for market competition, the dismantling of the old system opened the floodgates through which unearned rubles flowed into many spheres of the national economy.

The amount of money in circulation increased by a factor of 1.5 with only an insignificant increase in national income and consumer goods and services. As a result, inflation reached levels never before seen in the lives of our generation. And although there is a chronic shortage of goods and the demand always exceeds their supply, more and more unearned money is coming into circulation. To cover it, the state is resorting to the emission of money, the volume of which amounted to 18 billion rubles in 1989 with another 10 billion planned for 1990. In view of the increased shortages and the limitation of other sources of money receipts, the budget deficit increased dramatically and reached 120 billion rubles in the current year.

The country's position in the world market worsened in recent years. Receipts of hard currency declined as a result of the fall in prices for oil and the weakening of the competitiveness of Soviet goods on account of their poor quality. The result was a very unfavorable balance of payments. There is a shortage of foreign exchange and the country is forced to reduce purchases of industrial

commodities and food that it needs. Such a situation will make it more difficult to make the ruble convertible and without this we cannot avail ourselves of the advantages of the international division of labor or utilize scientific and technical achievements to some degree.

One cannot consider that the results of the implementation of the economic reform correspond to the party's course of restructuring and renewing socialism. On the contrary, they emasculate perestroika. The people and the party cannot accept transformations that result in a worsening of the country's economic position and that restrain the increase in the standard of living of the population. **Since the reform is yielding undesirable fruit, it follows that not everything in it was conceived as it should have been and that our social and economic system did not accept a number of planned innovations. This may have been because of an incorrect diagnosis of the disease and corresponding ways to treat it.**

Someone glibly circulated the misleading definition of our society as an administrative system. The task of reform in such a case boils down to the replacement of some (administrative) methods of management with others (economic). Our society has considerable specificity that involves a high level of socialization of production, which objectively dictates the necessity not of market management but of centralized planning of the economy. Centralism in administration and planning must not be viewed as a poor manifestation of previous policy. It is an organic feature of the social and economic system that has developed here and to change it is a considerably more complicated matter than the replacement of some management methods with others.

Unfortunately, the 1987 reform could not overcome these difficulties. There was a lot of talk about a fundamental restructuring of the management of the economy and those who underestimate commodity-money relationships were subjected to criticism. In fact, however, what was reasonable about the arguments of the opponents was not heard, whereas their overestimation of centralism was essentially preserved: the role of ministries, state orders, and so on. It appears that the reform proceeded on the basis of the erroneous assumption that it is possible to interest enterprise collectives in the fulfillment of centralized targets not through administrative but through economic methods. The result was the proclamation of full cost accounting and self-financing but the conditions did not exist for their real implementation.

As a result of many years of dispute about the role of commodity-money relationships, they threw the baby out with the bath water, just as has frequently happened before. Having become engrossed in criticizing those who "underestimate" the role of these relations, we failed to notice that there was a valuable kernel of truth in their arguments. Our opponents, the so-called "anti-market people" [antito 'arniki], got their unflattering name from the fact that they viewed our social and economic system—socialism—as a system not of a

market but of a systematically organized economy with its inherent mechanism of centralized management, to which a block of commodity-money relationships is subject. Considering the establishment of such a system to be our greatest achievement, they noted that it is impossible to change the methods of its management arbitrarily by shifting the center of gravity from the whole to the parts, from the axis of centralism to individual sections.

We "market people" accused our opponents of an authoritative understanding of centralism, which lead to bureaucracy and paralysis of creative initiative and gives rise to irresponsibility and a parasitic psychology. Without the proper development of commodity-money relationships and their active utilization, we said, it is impossible to develop enterprise, to create the necessary interest in labor or to run the economy efficiently. Were we right about this? I think that we were. But having become engrossed in our criticism, we, as often happens, remained deaf to the reasonable things that our opponents were saying. The system for running the economy that we previously praised as a planned system and later cursed as a command system has its own logic and structure that are profoundly different from a market system. "By market production," wrote V.I. Lenin, "is meant an organization of the public economy in which products are produced by individual separate producers, whereby each specializes in the production of one particular product, so that the buying and selling of products (that by virtue of this become commodities in the market) is necessary to satisfy social needs."¹ The production of commodities for the free market and their sale to any customer under prices determined by supply and demand are the characteristic features of any market production.

Can it be said that the centralized system of managing the economy that has developed here has preserved the noted characteristics? No, it cannot. The planned management of the economy has fundamentally changed the position and role of the producer. His work takes place in the previously established framework, his freedom is limited and he is told from above how much of what to produce, to whom to sell it at what price, and from whom he should buy what at what price. He has assigned suppliers and consumers. There is not the freedom that the market presupposes. Only the form remains of the market economy, inasmuch as deals are made in terms of money. It was on this basis that N.V. Khessin proved as early as the beginning of the 1960's that under our conditions commodities and money are deprived of real value content. The movement of commodities and their exchange takes place not in accordance with the nature of their value but from above. The appearance is one thing but the essence is quite another. The appearance is that of a market but in essence it is not.

On the basis of the noted reality in our society, "anti-market people" essentially involuntarily took the position of justifying bureaucracy, because they considered centralism to be a good thing and market methods to be

an evil among the means of running the economy. In this question, life has confirmed the correctness of our point of view. The experience of the developed countries of the West and East that run their economies on the basis of the market and its dictates shows clearly which system has the most stable and efficient—although sometimes extremely harsh—incentives for economic growth.

Nevertheless, we did not have enough scientific conscientiousness to recognize the element of truth in the arguments of our opponents. They corrected pointed out that full cost accounting is impossible under the conditions of a nonmarket economy and that the mechanical introduction of economic freedom under the conditions of the absence of market competition disorganizes the economy. They called this position an "underestimation" of the role of commodity relations at the same time that it was a reflection of economic reality.

Fairness also requires that we mention that the adherents of reform were not united either. There were definite disagreements with respect to the methods for its implementation. As usual, however, a gram of power turned out to be stronger than a ton of arguments. The opinion that prevailed was the one that considered the enterprise (association) to be the main link in the national economy and that proposed beginning the reform with their transfer to full cost accounting and self-financing. It is no accident that the Law on the Enterprise was basic among the package of decisions at the June (1987) Plenum of the CPSU Central Committee.

Hardly anyone at that time paid any attention to isolated voices saying that enterprises must not be separated from the system as a whole, that a transition to full cost accounting is impossible without a unified and developed market and that the inadequately prepared Law on the Enterprise causes serious complications.

Unfortunately, this is how it happened. Wages were not made dependent upon cost accounting results, as was proposed. On the contrary, they started to increase independent of them. The result is what we have today. The limiting factors of the command economy were dismantled but the regulators of the market economy were not put into effect. Nor can one discount the fact that to a considerable extent management is in the hands of people subject to the previous habits and not prepared for the new conditions in the resolution of new problems. The result was that we did not create a cornucopia but evoked a flood of many billions in banknotes that are not adequately covered by goods. What had to happen did happen: higher prices, a shortage of goods and social discontent. Nor can one justify himself by saying that "difficulties arose in the course of the implementation of the reform." It is also necessary to recognize the incompetence of key personnel in the preparation and implementation of the reform.

As a result, they ran into its unexpected negative consequences, which are snowballing more and more. The idea of emergency measures was put forward to handle

them. Such measures did indeed become necessary and were reviewed at the fall session of the USSR Supreme Soviet. In our view, however, what was proposed was extremely contradictory and inconsistent and therefore was not capable of stopping the negative processes in the economy.

It is primarily a matter of three basic measures to which the rest are subjected. In the first place, reduction of the budget deficit from 120 billion rubles in the current year to 60 billion next year; secondly, strengthening of the social orientation of the economy, as a result of which wages and other monetary incomes will increase by 10 billion rubles annually; and thirdly, achievement of greater balance in the consumer market, in particular through an increase in nonfood commodities by 40 billion rubles through the conversion of military enterprises and the expansion in this way of the production of civilian output.

The government highly values what was proposed. As a result of the implementation of these measures, as was noted at the session of the Supreme Soviet, and on the basis of the forecast increase in wages in the national economy as well as the cooperative and individual sectors and the coverage of social expenditures from public consumption funds as a whole, the monetary incomes of the population will continue to grow rapidly. But will it happen this way if we "continue to grow" at the same rate as we have heretofore?

The indicated prospect is not far off. The coming year will test the realness of the plans and the effectiveness of the planned measures and therefore we could have waited with personal assessments and forecasts, especially since it was almost a matter even of the resignation of the government. The people do not need the resignation of the government but its success and therefore we should not abstain from that which may be understood now.

The inconsistency and incompleteness of the proposed measures evoke serious fears. Thus, in particular, the new approach to the resolution of problems is noted as a great achievement. But it merely means that the budget deficit was previously formed as a summary result, whereas now it has been divided in advance into two halves, it being decided to leave half of it and to reduce the other half. That is no big deal. There is also a lack of understanding of the seriousness of the situation in the position of those deputies and officials who see their task in the commissions and committees not as the search for ways to save resources and to reduce expenditures but as that of gaining the largest possible stake for their own department.

Meanwhile, it is necessary to think about something else—how to reduce expenditures—not someone else but you and me and everyone in his own place. Otherwise we are lost. This is the question. And here I ask the forgiveness of the authors for my pretentious attempt to add to what they wrote and said and to sketch in my own way

the seriousness of the situation, which many have apparently not yet realized. I hope that a few figures and comparisons will help us.

During World War II, the economy of Great Britain, just as that of other countries at war, faced severe tests. They had to spend a lot of money. As a result, the volume of money in circulation increased from 1.64 billion to 4.42 billion pounds sterling, that is, by 170 percent. In France, which not only fought but also was subjected to enemy occupation and suffered much more, the amount of money in circulation at the end of its liberation exceeded the prewar level by a factor of 3.4. Let us compare these data with our own. At the June (1987) Plenum of the Central Committee, M.S. Gorbachev reported that the amount of money in circulation increased by a factor of 3.1 in the years 1971-1985. If we take a longer period (1969-1989), then the rather unpleasant figure will be much greater than that. People may say that there was an increase in production here during this time. In the consumer sphere, however, it was so far behind the emission of money into circulation that we can consider our situation to be the same or, in any case, similar to that which prevails in a country that has been subjected to the winds of war. And it is even more unforgivable that the disruption of the financial and economic system is not the result of war but of our own lack of initiative and mismanagement.

During approximately that same period, we received \$170 billion from the sale of oil in the world market. The real purchasing power of the ruble is somewhere around 10 to the dollar. In such a case, the named sum is some 10 times as large. Precisely such a sum, 1.8 trillion rubles, is the value of producer goods of the USSR. But we did not just sell oil. Thanks to the gifts of nature, we had foreign-exchange income with which we could have bought half of America. But we have a foreign debt of \$34 billion.

By the way, about the debt. It was reported at the meetings of the Supreme Soviet that the internal state debt will reach 400 billion rubles by the end of the current year. This is probably the sum that appears in the accounting books of the Ministry of Finance. But the economic meaning of the state debt differs considerably from the accounting sense. Again, let us make a comparison for the sake of clarity. The federal debt of the United States was estimated at \$2.6 trillion at the end of 1988. If we make the comparison in terms of dollars, then our figure has to be reduced by a factor of 5 to 10. But then the question arises: why does the richest country suffering from a surplus of goods have such a colossal debt, whereas the debt of a country with chronic shortages is so insignificant? It is, dear reader, because there no one ever forgives anyone's debts, even if he dives head first into the East River! They accumulate. But here the results of mismanagement and the hopeless debts are written off and just disappear, as it were, in accounting books.

But in reality? In reality they remain and pull the economy down. Our debts are in the form of unreceived output, enterprises, housing, roads, hospitals and schools that do not get built, undelivered goods and nonexistent medication, people who do not get well, children with poor educations and many other things. An immeasurable sum of our total debt to ourselves and future generations is expressed in our productive, scientific-technical and cultural backwardness.

We gradually crept toward and finally ended up in a rather deep pit and the reform did not help but made it more difficult for us to get out of it. The gently sloping walls became steep because they began in the wrong place. Instead of treating the organism of the national economy as a whole through the establishment of a market economy, we took just one link—the enterprise, the work of which cannot be improved outside of the organism. It is now necessary to take a new approach. According to Greek legend, Pandora opened a box from which various evils escaped but Zeus was able to close the cover and hope remained inside. We now face the same situation. The poorly conceived reform merely opened Pandora's box slightly but not everything has been lost yet. Just like Zeus, we need to slam the cover shut and carry out emergency measures to stabilize the economy so as to preserve the possibility of carrying out reform through a fundamentally different way—beginning with the whole and not just a part.

The measures proposed at the current session of the Supreme Soviet are not yet leading us to this task. The fight against the growing **disorganization** of the public economy cannot be waged through second-rate and especially through contradictory actions. They can bring the catastrophe nearer and aggravate it rather than prevent it.

The elimination of the budget deficit (reform cannot be effective while it is maintained) is incompatible with an increase in the money income of the population separated from the increase in production. Nor is an emission of money that is not covered by goods compatible with a strengthening of the social direction of the economy. Either one or the other. What would you say if a seriously ill person were given the task of setting a world sports record? What would you say about a hunter who can barely move his legs but who is trying to catch two rabbits running in different directions? What is needed is a coordinated and concentrated action in one and the same antiinflationary direction of eliminating three interrelated deficits: of goods, in the budget and in the balance of payments.

The worsening of the indicated deficits, in particular the tension in the consumer market and the growing dissatisfaction of people, precludes the possibility of implementing reform through previous methods. It appears that all of our efforts and attention need to be aimed at **stopping negative processes, stabilizing the economy, especially the financial and trade area, through structural change, an increase in the share of consumption and an**

improvement of the purchasing power of the ruble and its partial convertibility, and establishing the conditions for normal market development on the basis of the preservation of proven methods of regulation. But an indispensable condition for the implementation of reform is not the worsening but the improvement of the life of the people. Only then can it be successful.

In accordance with this task, it is also necessary to determine the medication that is needed as emergency measures for the treatment of the Soviet economy.

I. It is necessary for 2 or 3 years to reject any promises and attempts to raise the monetary income of the population with the exception of higher pensions for the poor as outlined by the Congress of People's Deputies and to consider that the raising of monetary income separately from the commodity volumes ends up disrupting the market and lowering the standard of living of the people.

Scientists are often accused of not suggesting the necessary solutions in time, although in fact they are frequently ignored. For this reason, the author of these lines was forced to declare to the entire society: if wages and prices are forced into a race, as they are trying to do now, then the last hope will fly out of our box and we will take the path of economic chaos like that being experienced by some of our neighbors, if not worse.

If there is not the corresponding increase in goods and services, then the semi-money in our pockets will become quite worthless paper that cannot buy anything.

The issuing of each ruble not supported by goods worsens the financial and economic state of the country. It is nevertheless planned to issue 10 billion rubles in such money in 1990 and there is no guarantee that it will be possible to limit ourselves to this amount. Such a measure does not normalize the economy but does even more to disorganize it.

There can be no real increase in money income in a situation of chronic shortages and inflation and there is no use fooling ourselves or anyone else. It is necessary to increase production, improve quality and fill each received ruble with a large quantity of goods and services.

II. Restore strict control for 2 or 3 years and if necessary restrain the growth of the wage fund and the level of prices, not allowing their unjustified increase unrelated either to the quality of output, especially consumer goods, or to their newness. Grant to central and local authorities the rights necessary to accomplish this.

III. Develop and implement a 2-year program for the elimination of the entire budget deficit and the cessation of the increase in emissions and begin to withdraw no less than 10 to 15 billion rubles from circulation annually. How should this be done? Through the strict observance of the principle of sufficiency.

In the first place, it is necessary to reduce military expenditures more significantly. There is not the kind of

miracle that would allow expenditures of 70 billion rubles to maintain military parity with a country expending \$310 billion, especially when our labor productivity is only a fraction of what it is in America. These days it is more effective to defend the flag and fatherland not with bombs and rockets but with goods and confidence. Everything should be turned in this direction.

Secondly, along with the planned reduction of centralized capital investments by 18.1 billion rubles, also reduce decentralized capital investments by this much or even more, freezing for 2 years the construction of facilities that cannot be put into operation within this time. Shift the remaining capital investments to the spheres of consumer production and housing construction, offering the population new increased volumes of goods and, in part, paid housing.

Thirdly, examine the expediency of reducing or possibly removing the so-called differentiated markups on the purchase prices for farm products amounting to 33 billion rubles, inasmuch as they are not justified by a corresponding increase in production and the sale of output.

Fourthly, it is expedient to change the structure of imports and to buy in the foreign market only those goods that can be sold in the domestic market with a profit of not less than 10 rubles per dollar expended. Set aside for these purposes, let us say, \$1 billion, also using these funds for the sale of foreign exchange to enterprises, cooperatives and individual citizens in auctions at no less than the indicated rate. Through such trade and exchange, the state will receive 10 billion rubles and will be able to add it to the sum of money taken from circulation.

At the same time, in our view, we should not use external credits to purchase in the world market commodities that are in great demand. In such a case, we, having a much lower labor productivity, pay the high wages and profit of foreign corporations.

In this way, we tighten the noose, intending to live for the time being at the expense of our children and grandchildren, which is clearly immoral.

The size of this article does not permit us to examine the more detailed questions in such an extreme program. But they do exist and can be implemented only if there is the will to do so, especially in the strengthening of labor and production discipline and the establishment of order and organization in the matter of the fulfillment of obligations to the society by each collective and individual.

IV. Transport is worthy of special attention. It is customary among people in my profession to call transportation and communications the vital arteries of the economic organism. So they are. But if the circulatory system does not work, it is senseless to try to treat the other organs. A smooth flow on the roads and continuity

in the delivery of goods and passengers are an essential condition for the normal functioning of the whole economy. Breakdowns in the work of transport are cause for concern among the Soviet people. The Supreme Soviet looked at this question. But the emergency measures were reduced, in particular, to the prohibition of strikes, which is not enough. The uninterrupted work of railroad, sea, river, air and motor vehicle transport cannot be guaranteed through the mere absence of strikes. Perhaps transport should be put under military control for 2 or 3 years? Give to transport workers what we can: part of the reduced capital investments, housing, better supply within possible limits—and demand the strictest observance of laws, discipline and timetables. Remove loafers and troublemakers ruthlessly. In their place, possibly, shift 100,000 to 200,000 to transport from the army as well as construction. Where necessary, urgently build new roads and declare a state of emergency in the regions where the work of transport and communications has been disrupted and maintain normal work through all possible means. Classify and punish encroachments on transport loads and other forms of plundering public and private property as major crimes.

V. More emphasis needs to be given to the conversion of military enterprises, striving to make it more rational and efficient. Do not involve production in great expenditures. Clarify the directions of conversion, taking into account the needs of the country for consumer goods, technical production and exports. Otherwise there will be no guarantees of the realization of the named increase in production by 40 billion rubles for 1990, for it has no definite basis.

VI. Also, review the decisions taken for the financial normalization of the economy and restore the control functions of the state bank in the emission of money to circulation by branch banks, in the implementation of measures against inflation and in raising the purchasing power of the ruble. In the course of 2 or 3 years, at least shift to the partial convertibility of the ruble so that we can achieve a greater integration of our economy in the world economy.

The implementation of extreme measures is unpopular. But there is no other philosophical basis. There is no alchemy with which one can turn the cornucopia toward himself. But the screen of emergency measures can help to make the negative developments positive and stabilize the economy and then it will be possible to carry out reform at less cost and with greater results.

Footnote

1. V.I. Lenin, "Polnoye sobraniye sochinenii" [Complete Collection of Works], Vol 1, pp 86-87.

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**Losses From Economic Mismanagement
Estimated**

904A0105A Moscow *EKONOMICHESKAYA GAZETA*
in Russian No 50, Dec 89 p 11

[Article by M. Khodorovich, candidate of economic sciences, under "A Reader Raises a Problem" rubric: "Money in the Wind"]

[Text] Mismanagement.... What are the reasons for it? What are the sources of this ugly phenomenon? Is it really not a paradoxical situation when the overwhelming majority of enterprises and organizations are working under the conditions of full cost accounting and self-financing and nonproductive expenditures and losses are increasing at the same time? Judge for yourselves: last year they exceeded 29 billion rubles and increased by almost 5 billion rubles over the previous year, or by more than 20 percent, whereas they increased a little more than 7 percent in 1987.

Nonproductive Expenditures and Losses (millions of rubles; data of the USSR State Committee for Statistics)

	1981	1982	1983	1984	1985	Total for the years of the 11th Five- Year Plan	1986	1987	1988	Total for the first 3 years of the 12th Five- Year Plan
Under individual items:										
Losses from the liquidation of fixed capital not fully depreciated	2,870	2,284	2,190	2,398	2,213	11,955	3,405	3,955	6,059	13,419
Losses from the writing of expenditures for unrealized and definitively stopped capital construction and other write-offs	2,831	3,073	2,713	2,749	2,983	14,331	3,556	4,294	4,631	12,481
Losses from the discounting of goods not in popular demand and obsolete styles and models	1,154	968	3,662	1,487	1,645	8,916	1,806	1,515	1,584	4,905
Above-plan losses from the operation of housing and municipal services	798	999	803	965	1,300	4,865	1,074	1,011	1,274	3,359
Above-plan losses from rejects in industry and construction	364	457	325	276	663	2,085	737	871	1,076	2,684
Losses from the writing off of unreal debtor liabilities	255	257	225	187	310	1,234	235	456	898	1,589
Losses from idle time	77	94	85	84	76	416	46	56	57	159
Losses from packaging operations	515	717	723	797	781	3,533	725	770	829	2,324
Other nonproductive expenditures and losses	3,821	3,098	5,630	5,416	8,540	26,505	10,821	11,121	12,633	34,575
Total losses	12,545	12,820	16,292	14,358	17,486	73,501	22,444	24,049	29,041	75,534
In addition, paid fines	5,302	6,186	6,934	7,012	7,171	32,605	7,624	13,664	7,825	29,113
For individual branches, including fines:										
Industry	5,884	6,939	6,985	7,364	8,367	35,539	9,719	13,658	11,069	34,446
Agriculture	3,453	3,079	4,878	3,753	5,348	20,511	7,630	9,976	9,063	26,669
Transport and communications	847	875	787	921	761	4,191	801	1,691	951	3,443
Construction	4,233	4,770	4,232	4,681	5,060	22,976	6,391	7,504	6,938	20,833
Procurements	80	58	65	111	126	440	86	126	115	327
Supply and marketing	423	517	521	617	628	2,706	642	755	545	1,943
Trade	2,512	2,353	5,172	3,318	3,865	17,220	4,176	3,273	5,488	12,937
Other	415	415	586	605	502	2,523	565	729	1,703	2,997

We should immediately make the reservation that the indicated sum of nonproductive expenditures and losses does not include outlays relating to natural disasters and accidents or various kinds of fines. Accordingly, it is a matter of expenditures and losses relating to "pure" mismanagement.

A quite intolerable situation has developed in the investment complex. Much has already been said about the squandering of forces and assets in construction. But how much longer are we going to put up with facts such as the following, for example? Of 280 sets of imported equipment in stock with a total value of 2.7 billion rubles, the warranty periods of foreign firms have already expired for 89. More than 100 million rubles of such equipment with expired warranties were in the enterprises and construction projects of the former USSR Gosagroprom and stocks of uninstalled imported equipment in light industry increased by 109 million rubles last year. Where are the managers of branches, enterprises and organizations looking? At the same time that equipment acquired for foreign exchange is lying in the warehouses and frequently under the open sky, output that can be successfully produced with this equipment is being purchased for foreign exchange.

And how the construction deadlines have been extended! Here is just one flagrant example of mismanagement. The construction of the Yakovlevskiy mine of the former USSR Ministry of Ferrous Metallurgy with an estimated cost of 249 million rubles began in 1974. In 14 years, they assimilated 102 million rubles, or just 40 percent of the estimated cost. The deadline for it to go into operation has now been set back to 1993, that is, 20 years after the start of construction. It is not difficult to imagine the extent to which such a facility will meet current requirements. But we have many such facilities and the means invested in their construction subsequently turn out to be simply lost.

There are increasing losses from the operation of housing and municipal services. It must be noted that even the "normal" operation of these services brings the state annual losses of about 6 billion rubles. But besides this there are above-plan losses. The cost of mismanagement in this branch exceeds 1 billion rubles. And the following fact is of interest: the local soviets spend 6.37 rubles a year to maintain 1 square meter of housing. But the departmental meter costs 9.11 rubles. In my opinion, the losses can be reduced substantially if housing and municipal services are turned over to the jurisdiction of the local soviets of people's deputies. I think that regional cost accounting will make it possible to do this.

Losses from mismanagement are significant literally in all branches of the national economy but what is most worrisome is the fact that practically everywhere there is a tendency toward an increase in such losses. Take trade, for example. Nonproductive expenditures and losses here increased by a factor of almost 1.7 last year. What is the reason for such an abrupt increase? Certainly it was influenced by a whole series of factors, including

increased losses from the discounting of commodities that are not in popular demand, which amounted to 1.6 billion rubles last year, and others. But it appears that one of the main reasons for the more lax saving practices in trade is the appearance of an easier means of "earning" money. We are talking about the inclusion of fines in the cost accounting income of trade enterprises. In some wholesale trade organizations, the sum of these fines in the cost accounting income exceeds the profit obtained by increasing the commodity turnover.

Nor can one fail to see how rapidly losses increased in trade because of the exceeding of the standards for natural waste as well as various kinds of deficiencies, embezzlement and losses from the spoilage of commodity stocks. In the first quarter of the current year, commodity losses above the standards for natural waste in the system of the USSR Ministry of Trade increased by 18.2 percent over the corresponding period of last year, whereas the losses were 34.5 percent in the Ministry of Trade of the Ukrainian SSR and 58.2 percent in the Georgian SSR.

There was also a significant increase in losses in the system of consumer cooperatives. In the same period, they increased by a factor of 1.7 in the country as a whole, by a factor of 2.3 in the RSFSR and by a factor of almost 4 in the Ukrainian SSR.

All of this indicates the need for economic measures that protect the enterprises of individual branches from the overly easy means of obtaining funds. For the inflow of "extra" and especially unearned money objectively contributes to mismanagement. It produces, for example, perplexity: why leave at the disposition of trade such significant funds for the discounting of commodities under the country's current financial situation and shortage of commodity resources?

One can also analyze the reasons for the mismanagement in other branches of the economy but one thing is certain: without a change in the existing economic mechanism it will be extremely difficult to restrain this negative process. Radical measures are needed to prevent losses from mismanagement. What measures? One of them is this: it is necessary to attribute losses not to the production cost of the produced output or distribution costs, as is customary today, but to the cost accounting income of the labor collectives. In addition, it is necessary to stop the channels for the receipt of unearned funds. Finally, glasnost is needed in this matter as nowhere else. People must know who is the author of particular projects and who made the decisions that resulted in the rise of throw-away expenditures amounting to billions of rubles.

It is well known what tremendous difficulties are associated with the search for financial resources for the resolution of urgent social problems. At the same time, it can be said that mismanagement is flourishing in the economy. And its annual cost is enormous. It is equal to the expenditures for such a major social program as the

program of measures foreseen, let us say, by the draft Law of the USSR on the Provision of Citizens With Pensions.

Further Study of Shadow Economy Needed To Combat Criminal Activity

904A0167A Moscow PRAVITELSTVENNY VESTNIK in Russian No 4, Jan 90 pp 6-7

[Article by Yelena Kolesnikova: "Underground Millionaires in the Shadow Economy"]

[Text] Underground millionaires are controlling amounts of money which the ordinary Soviet individual has never dreamed about. And in order to combat unearned income successfully, a thorough study must be undertaken of the processes taking place in the shadow economy.

In the picture, we see a large city. Similar to the image of the mythological Janus, it is divided into two parts: light and dark. Everyday life is depicted in the first—people hurry to work, smoke pours from the chimneys of plants and factories and heavily laden trains recede into the distance. In the dark part also, nothing of an unusual nature is taking place—everything is familiar. "Wrongdoers" are removing the products of their own enterprise through a hole in a fence, enterprising citizens are cleaning railroad cars and sewing machines are chattering in underground shops...

The artist had written down dozens of impressive figures. And the idea was the same—to reveal that it was possible to earn money by illegal means. And nobody was overlooked nor neglected. There were bribe-takers and speculators, cooperation specialists and racketeers, leaders who were caught embezzling and even drug dealers. Money flows from both parts of the city by means of two rivers. Thus a transparent flow merges with a muddy one and the turbulent mass becomes mixed along its entire route. It is a terrible allegory.

I saw this picture in the office of a well known economist. I was interested in knowing who the artist was.

"A colleague painted it when he was preparing for a seminar on the shadow economy," replied a scientist. However, he did not mention the author's name, an obvious reference to the modesty displayed by the author of the canvas.

In examining the diminutive dark figures, I was suddenly struck by the thought: I am generally not curious as to how these people appear in real life, what morals they profess or how they spend their easy money. I was alarmed by still another concern—how many of them are there today? In my opinion, this is an important question. Indeed, we find the concept of critical mass not only in nuclear physics but also in economics. When the amount of goods not backed up by money exceeds it, financial turnover breaks down and destructive forces

commence in society. But they can be controlled in the light portion of this same symbolic city. In the dark section, one can only grope his way forward.

During the 2d Congress of People's Deputies to the USSR, I recall that someone made the recommendation that the Minister of Internal Affairs cite the specific underground millionaires in his report. V. Bakatin, who referred to the fact that the court will decide who the guilty parties are, cited only several figures. They are impressive. Since 1985, the organs of justice have transferred over to the courts cases for 629 individuals accused of theft or bribe-taking—fines amounting to more than 1 million rubles were imposed upon 65 of them. These were the ones that came to light, but how many still remained?

This is a rhetorical question and there is hardly anyone who can provide an accurate answer for it.

What Does the Tip of the Iceberg Look Like?

When N.S. Khrushchev was informed regarding the first million rubles' worth of theft, he could not believe it for a long period of time. After the second and third cases, he ceased being surprised and launched an active campaign against such illegal undertakings and other means for plundering national property. The decree of the CPSU Central Committee and the USSR Council of Ministers entitled "Measures for Preventing Fraud and for Strengthening Control Over the Reliability of Reports on the Carrying Out of Plans and Obligations" was published in the spring of 1961. Operational brigades of inspectors were created and surprise audits were started. I daresay this tactic—a strategy carried forward with the best of intentions—produced perceptible results. But one fact is beyond question—the change in the country's leadership also changed the attitude towards the problems of the shadow economy.

What occurred during the time of Brezhnev is now generally well known. It makes no sense to enumerate even the most severe cases or to cite the large amounts of theft and bribes which took place during Leonid Ilich's time and even later. Rather allow me to mention a chief concern—by 1985, a pivotal year in the life of our society, the shadow economy had already become stronger and was functioning as an independent and well organized mechanism. Almost each one of us felt its pressure.

On 1 January 1985, the total amount of shortages, theft and losses in the trade organizations alone amounted to 171 million rubles. It was clear to all that this was only the tip of the iceberg and that our control would not be enough. Judge for yourself—at the same time, the USSR TsSU [Central Statistical Administration] was selectively studying the family budgets of manual and office workers. It turned out that almost 10 out of every 100 rubles were used for purchasing goods from private individuals and naturally at speculative prices. The situation was even worse in the case of construction materials: in acquiring them on the side, a family spent

one fifth of its family budget. A similar situation prevailed in the rural areas, only kolkhoz members were required to pay one and a half times more for certain goods. The situation was especially tense for rural workers in Armenia—for the purchasing of fabrics and clothing, by-passing stores, they spent one third of their budget and for construction materials—slightly less than one half.

According to data supplied by the All-Union Institute for Studying the Population's Demand for Consumer Goods and Trade Conditions, almost one half of the automobile owners who were questioned stated that they obtained their spare parts at speculative prices from private parties. Nine out of every ten members of horticultural associations stated that they acquired construction materials in the same manner. One out of every three garden sheds was built through the illegal use of state equipment. A firm tax was even established—for 1 hour of operation of a motorized crane, a payment of 55-75 rubles was required and for a bulldozer or excavator—35 rubles. The use of "collateral" workers was fair compared to their present rates.

According to estimates by this institute, the overall expenses for purchasing clothing, footwear and other wardrobe items exceeded by 4-4.5 billion rubles the volume of their sales through stores. It is easy to guess where the remainder went—into the pockets of businessmen and speculators. And the total amount of income obtained by private parties for various services to the population amounted to 14-16 billion rubles annually—this information was furnished by NIEI [Scientific Research Institute of Economics] of USSR Gosplan.

Theft during purchases of products from the population has become especially widespread. The wrongdoers have developed truly a thousand and one methods for obtaining unearned income. They have lowered the grade and quality of goods and they have purchased and sold non-existent products. A short and incomplete list of the methods employed for carrying out such fraud fills up several pages in a report by the USSR Procurator's Office. The difference between the wholesale and retail price for fuel brought about the present and non-cinematographic "kings" of the gas pumps. The owners of automobiles acquired more than one half of their fuel on the side and the annual profit of the wrongdoers has exceeded 2 billion rubles. Each year roughly 3-4 billion rubles have been paid out for construction work not completed and for transport—2-3 billion rubles.

Do these figures reflect the true situation? Hardly—it is impossible to uncover everything and many escape being caught. The economic deformations have brought about ruinous changes in consciousness, in social psychology and in the morals of society. Moreover, these losses cannot be measured. A truism—it is difficult to cure an illness that has been neglected. And when a doctor encounters a difficult case, his first task is to select a treatment strategy.

The working group of specialists created in 1986 by a decision handed down by the CPSU Central Committee should have developed a strategy for combating the shadow economy. This committee included representatives of USSR Gosplan, the USSR Ministry of Finance, the USSR State Committee for Labor and Social Questions, USSR Ministry of Justice, USSR Procurator's Office, USSR State Committee for Statistics and the USSR Academy of Sciences. I held discussions with many experts assigned to this group—respected financiers, lawyers, economists and statisticians. I wished to learn where they began their work and specifically what tasks they undertook to complete. Indeed, as is well known, the goal determines the means. I listened to various opinions, some of which at times were contradictory in nature. But the overall result of all of the statements was unfavorable—I was unable to develop a unanimous view of the problem. And yet there were many specific recommendations—some that were extremely sensible and others, in my opinion, questionable. One could only ask if the situation would have changed greatly if the group had not existed. I believe that it would have, since we learn from our mistakes.

Let us begin with the income that was not taken into consideration. The working group persistently recommended stronger control over the system for issuing income declarations. As is known, the local soviets of people's deputies are authorized to demand such declarations from citizens who build individual homes or who purchase expensive objects. But this right is rarely exercised—in actual practice, nobody demands anything from anybody else. In 1987, the USSR Ministry of Finance requested information on the number of declarations obtained from the local financial organs. It turned out that approximately 70,000 were issued over a period of 6 months, with slightly less than 4,000 of the more suspicious declarations being sent to the organs of internal affairs for inspection. And what happened? Retaining the style of the report by the USSR Ministry of Finance, I quote: "The financial organs do not have at their disposal examples of the facts uncovered based upon the declarations delivered." Simply stated, the declarations did not provide any assistance in uncovering the cheaters. In analyzing the reasons for the failure, the department admitted: its personnel lacked the experience and skills needed for carrying out such checks. Moreover, they were not authorized to conduct an inquiry. The following conclusion was drawn: the question concerning abolishment of the obligation of a citizen to present a declaration when completing a transaction in excess of 10,000 rubles must be studied.

But the working group insisted—control must be increased.

For combating the wrongdoers, for example, a recommendation was made to intensify economic and administrative responsibility for theft. Thus, in the case of a first-time violation, the damage should be replaced by a tenfold amount and for a second violation—the individual should be discharged from the enterprise. In

addition, the responsibility of enterprise and organization leaders, bookkeepers and auditors for the quality of inventory work and audits must be raised. Is this not the familiar style of the administrative control method? Provision was not made for situations involving the removal from a plant of an economically unprofitable working group. Is this a contradiction? Not at all. A fine amounting to a tenfold amount appears to be an economic measure only at first glance. Imagine for yourself a wrongdoer who specializes in cheap stuffing boxes or gaskets. What does it mean to him to have to pay a tenfold or other fine, if through speculation he is obtaining hundreds or thousands of rubles? The group proposed to deal very strictly with those caught red-handed obtaining illegal income. For example, the pay for metalworkers engaged in the repair of sanitary equipment in an apartment could immediately be lowered by one fourth and for repeated offenses—by one half. In the face of such stern measures, he will forget how to "make money on the side." There was one other curious proposal—to reduce by threefold the pensions for citizens who repeatedly steal state funds. Even if of advanced age, they should be subject to punishment.

There is no point to continuing further in this same spirit. I wrote down only the verbs from the advice furnished by the working group. Their authoritative tone—to strengthen, obligate and force—eloquently reveals from which arsenal an attempt was made to seize weapons for launching an attack on the shadow economy only recently.

For the sake of fairness, it should be noted that the economists did not propose a concentration of efforts on special measures for combating unearned income, but rather they called for strengthening the processes of democratization and accelerating the radical economic reform. It is difficult to object, just as it is difficult to carry out these recommendations. Each step involves difficulty.

Systematic studies are underway in many countries on the reasons for the appearance and the developmental trends for the shadow economy, and international symposiums and seminars are being organized. But as yet, no success is being realized in overcoming it. The author of a serious monograph dedicated to this painful problem, Konando De Soto, is appealing for a rejection of the illusion that a change for the better can be realized in the economy by launching a sudden attack in the absence of experimentation. The less than fruitful work by the working group is more than enough confirmation of this fact.

And while a strategy is being developed, the legal protection organs have started functioning in a more decisive manner. During the 1986-1987 period, they uncovered almost 200,000 incidents of theft of socialist property. Criminal groups were exposed which had been in operation for an extended period of time in Uzbekistan, Kazakhstan, Kirghizia, Turkmenia, Azerbaijan, Moscow, in Volgograd Oblast and in other regions of the

country. In all, more than two million mercenary crimes were uncovered during this period and almost as many individuals were called to account for themselves. Valuables, property, 175 kilograms of gold and platinum and one half ton of silver were recovered from these criminals.

In all probability, it would not have been necessary to discuss the operations of the working group in such detail were it not for an old truism—even negative results are important in science. At the very least, this experiment revealed how helpless we are before a serious problem and how we are attempting to solve it in a very unprofessional manner. It was by no means an accident that V. Bakatin, in his report to the 2d Congress of People's Deputies, commented that scientific studies of the shadow economy by governmental organs and economic departments were neither orders nor actually organized. Thus the time is at hand for organizing them.

Portrait of a Newly Rich Soviet Individual

If you please, the word "portrait" as used here is not entirely accurate—a line sketch would be more appropriate. The USSR Minister of Internal Affairs was correct—there were no extensive overall studies, but some work was nevertheless carried out.

"We studied various types of economic activity that were forbidden officially," stated a leader of a branch of the All-Union Scientific Research Institute of USSR Gosplan and Doctor of Economic Sciences T. Koryagina. "And they can be divided into two large groups—criminal and non-criminal. The first group includes theft and the production of illegal products—in short, everything that in legal language is referred to as crime. The second group includes various types of earnings, which for a number of reasons are not subject to state accounting. For example, so-called non-recorded services by tailors, metalworkers and typists."

"We gathered our information by various means," continued Tatyana Ivanovna. "We collected data on the balance of monetary income and expenditures, the results of sociological studies in which the respondent answered the question as to how he obtained goods or services, and reports from the USSR Procurator's Office and the All-Union Scientific Research Institute of the MVD [Ministry of Internal Affairs]. Our workers met with the operators of an underground business. It bears mentioning that I also shared this opportunity—naturally, I was not interested in the true names nor in passport data. I foresee some indignation on the part of some readers—you mean to say you are covering these operators? But we, if you will excuse the pun, are not investigators but rather researchers and thus we have other tasks. Here is an example. A talented and clever 42-year-old millionaire possessing a higher education acquired capital and organized an underground department. He worked day and night, acquired raw materials and contracted for the marketing of his products. I saw their goods—fashionable, durable and, not surprisingly,

they sold like hotcakes. Today he is the chairman of a cooperative and he has invested considerable resources in the work.

"Had he changed from an illegal operator into a respected businessman? And did he escape unscathed despite his previous activity?

"This would seem to be the case. In the legislation of all civilized countries, there are articles which call for punishment for the laundering of 'black' money, but we have made no such provision. We have only started to create a tax inspection—a most important state service. I will illustrate its operational effectiveness using only one example—certainly, not drawn from our practice. Almost 50 villas, an astronomical number of automobiles and valuables were confiscated from one mafia type in Mexico. As a cover, he had a completely legal but modest business—he was unable to prove that all of the property was purchased using honest money and naturally in keeping with the local laws. And the case opened against the mafia type began it would seem with a trifle—with a visit by a tax inspector."

One cannot view the forecast by T. Koryagina for the immediate future as being optimistic. In her opinion, approximately 30,000 underground millionaires are already operating in the USSR at the present time. Tatyana estimates the turnover in shady capital to be on the order of 70-90 billion rubles. True, other specialists are operating on the basis of a broader range of figures—from 25 to 350 billion rubles. It is impossible to check to see who is closest to the truth. Only one point everyone agrees upon—the clear trend towards an increase in the "black market" money. Comrade Koryagina assumes that in the near future the turnover in this money will amount to 100-130 billion rubles.

The criminal nature of the shadow economy is becoming stronger. Underground capital, acquired more or less innocently, for example from the production of ladies jackets or hats, attracts all types of suspicious subjects. The mechanism is a simple one: more money demands more concern. Protection, messengers and personal bodyguards are appearing. Workers with a high intellect are not being hired for such positions; strong muscles are needed here. But as a result of earning considerably more than ordinary citizens, these young people quickly accumulate their own capital and then also start up their own businesses. If they lack the capabilities required for organizing an underground department or something on this order, they can quickly shift over to making a living from drugs, prostitution, a racket or from organized thievery.

"The tastes of the newly rich Soviet individuals are changing," stated Tatyana Ivanovna. "Today they are interested in currency and in trips abroad. They desire elementary representation. I recently learned of one individual who became rich—and hardly legally—by working in the goldfields. Today he has invested his funds in the operation of a joint enterprise, he has

become president of an association, he visits branch firms and he exercises control over them. And just try to establish his guilt."

"Perhaps it is not necessary and perhaps such individuals should be assigned as enterprise leaders." You have in all probability encountered this point of view in other publications. And so what? The individual did not spend his money on food, he did not squander it and he organized the production of useful goods.

A healthy economy cannot be developed based upon illegal money. Appeals are being heard at the present time: let us sell small unprofitable factories and other state property. It is maintained that they can be of benefit if placed in other more concerned hands. Well, but who will buy it if we choose to sell. It is not likely that we will be the purchasers. Let us not confuse enterprise with elementary dishonesty. Operators, even those who have legalized their capital, continue to follow game rules in the business world that are by no means economical in nature. For example, in striving for monopolism they are mercilessly eliminating competitors and at times this is being done physically. Rather than economics, is this not a crime?

Paradoxically, our official economics is encouraging the shadow economy. The more the flaws in it, the greater the turnover in underground capital. Legislation is also playing an important role. Its divergence from the interests of the people and life's realities is serving to stimulate illegal earnings.

One eminent specialist in shady business, Raphael De Gratsi, maintains that in Italy, for example, there is not one industrial or agricultural branch or sphere of services that has succeeded in avoiding a shady influence. Underground work is even specialized in some regions. In Naples, a preference is being shown for secretly sewing clothing, footwear and gloves and even shipping goods for export, and in the country's northern cities electronic equipment is being manufactured underground. Many welders, electricians, painters, upholsterers and plasterers are working illegally in France. In the FRG, the trade administration of one city uncovered a region in which almost every home was built through the efforts of independent workers. Spanish enterprises rarely inform their financial institutes regarding the true number of workers. They may cite the names of 5-6 workers, when 50-60 are actually working. Administrative staff workers in Japan organize secret firms for so-called "weekend work." They provide consultation on Saturdays and Sundays for the owners of average size enterprises and assist them in improving their operations.

By the end of the 1970's, the black market economy in West European countries accounted for 5-6 percent of the state economy, and in the U.S.A. the figure was somewhat more. However, it should be emphasized that in accordance with Koryagina's classification, none of these activities are criminal in nature and thus pose no danger to society or to the state economy. It is enough to

merely remove the tax limitations and simplify the rules for the holding down of more than one job, and that which is secret will suddenly become known. Moreover, each lira, mark or franc will be earned by productive labor.

Our shady business is distinguished by the criminal nature of savings. And almost each economic innovation encourages new methods for obtaining unearned money—there is Ostapu Benderu with his 400 comparatively honest methods for obtaining the money of others.

Chain Reaction of Crime

Only recently have cooperatives appeared in our country and yet bribe-taking and the appropriation of monetary credits are flourishing in this sphere. According to data supplied by the USSR Procurator's Office, one out of every three thefts occurring in cooperatives is either large or especially large. The damage sustained by the state alone amounted to 150 million rubles. It was hoped, as the saying goes, that a system of civilized industrialists would be created, and instead an "active pumping of state resources into cooperatives occurred."

Incidents involving the sale of resources abroad in exchange for deficit goods became widespread in nature. It is distressing to have to admit, and yet such foreign trade transactions were of little benefit to the homeland. The mass buying up of large batches of food and industrial goods in stores is continuing. According to bank data, in 1988 alone the cooperatives removed 3 billion rubles' worth of goods from the retail trade.

Allow me to state that I am not an opponent of the cooperative movement and have no intention of analyzing here its strong and weak aspects. This is the subject for a separate discussion. I am alarmed by the manner in which one negative result is capable of provoking others. Certainly, the goods purchased by cooperative specialists did not end up on the scrap pile. Nevertheless, they reached the consumer at inflated prices. Thus the army of speculators increased in size. According to computations by USSR Goskomstat [State Committee on Statistics], the profit realized by operators from the resale of industrial goods amounted to more than 1 billion rubles. This is a record figure.

By closing down the wholesale trade, goods are naturally sold through the black market. This then paralyzes the work of the trade organizations and, even worse, their workers actively join in illegal business. During the last one and a half years alone, more than 2 million thefts and shortages were uncovered and the sale of deficit goods from warehouses became a common occurrence. A type of "joint enterprise" is already appearing in some areas, with state or cooperative stores being directed by criminals. Here is an example. For several years in a row, one Baku store was managed by Mamedov, an individual who had never worked before. All of his orders were carried out by official managers. And not without

benefit for themselves—together with the "boss," they misappropriated 200,000 rubles.

The majority of the specialists with whom I spoke were of the same opinion: if society is paralyzed by shortages, then any and all economic innovations must be introduced into operational practice in a well thought out manner. And there should be no embarrassment over having to introduce corrections into the draft laws or governmental decisions, even if they were introduced into operations only recently. If this were not done, the best of them could open up loopholes for obtaining criminal income.

Here is an illustration: the savings banks of union republics were authorized to issue loans to citizens for the construction of gardening buildings and individual homes and also for the repair of housing. But although this right existed, the funds made available for credit purposes were limited. This shortage immediately became fertile ground for crime. The chairman of the administration of the Savings Bank of the Armenian SSR, Abovyan, in an agreement with his employees, began issuing loans for bribes. Such bureaucratic difficulties were created for those citizens to whom loans were issued on a favorable basis that they soon yielded: they paid in order to obtain the money. Bribes—only the beginning of the path leading to wealth. Before long, an entire criminal group appeared and it included representatives of regional banks of Yerevan. During a brief interval of time, these "financiers," in addition to bribes, stole 100,000 rubles from their own bank.

In the USSR Procurator's Office, the officials were convinced: this incident was merely a prelude to an irrepressible symphony of "banking" affairs and that before long others would appear. And precisely so. Recently, an incident involving the deputy manager of the Dnepropetrovsk Municipal Administration of Promstroybank G. Spasov was revealed: sensing that the state was too sparing in its issuing of loans, he accepted a bribe for promising to provide one half million rubles' worth of credit to an agricultural cooperative.

When I read the articles of ultra-progressive economists who recommend the sale, as rapidly as possible, of unprofitable state enterprises to private individuals, the undertaking of various business undertakings and the elimination of all restrictions, I recall the fears expressed by my contemporaries—but will not the shadow economy gain more ground officially and will not the hour be at hand when a solution for this difficult situation will no longer be possible?

A Vote for Perestroyka

This essay does not claim to be complete—the problems of shady activities are just as complicated as any economic processes in which the interests of millions of people are intertwined in a strange and at times unpredictable manner. And certainly, there are no ready answers here: before such solutions can be prescribed, we must define that which we intend to wage a campaign

against, what income can be considered as earned and that which is unearned. We have witnessed the adoption of decisions which by no means have produced the results expected. The "campaign" against drunkenness and against negative phenomena in the development of cooperations—these are some of the more important examples and yet by no means the only ones. And international and modest domestic experience reveals: cavalry attacks along this front will not produce victory, and prolonged battles, a long siege and perhaps temporary retreats are inevitable.

Our national economy services many economic institutes and departments. And although many complaints are received regarding their work, nevertheless our scientists study this "undisguised" economics in a more or less thorough and purposeful manner. The phenomena taking place in illegal business should be studied just as intently. Rather than spasmodically, as is the case at the present time, they should be analyzed on a constant basis. This is why I believe a governmental program is needed for the problems of the shadow economy. The best research personnel should be united under the aegis of Gosplan, GKNT [State Committee for Science and Engineering of the USSR Council of Ministers] and the USSR Academy of Sciences and, if possible, thought should be given to the creation of a specialized scientific center.

This is especially important today, during this stage devoted to radically transforming the economic mechanism. We are aware of the negative manifestations of underground business and we sense the social tension that they created in society. But we can scarcely imagine fully all of the danger posed by the shadow economy. And this danger is indeed serious—indeed our new businessmen, paradoxically, are becoming active advocates of perestroika. Economists A. Buzgalin and A. Kolganov view this as an extremely alarming trend, since the economic innovations of perestroika are making it possible to legalize unjustly acquired capital. Thus a need exists for clearly defining the role to be played by shady businessmen who act in concert with corrupt officials under the conditions imposed by uncontrolled development of a market economy. It will be difficult to move forward if our legs are weighed down by lumps of heavy dirt

INVESTMENT, PRICES, BUDGET, FINANCE

Relation of Investment to GNP Analyzed, Effectiveness Questioned

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[Article by S. Zhuravlev, candidate of economic sciences: "Investment Policy: Limited Maneuvering"]

[Text] Many speeches in the First Congress of People's Deputies of the USSR noted the need for profound

changes in investment-structure policy and in the economic mechanism that shapes the demand for capital investments and their distribution among the spheres and sectors of the economy. This is understandable. After all, even today, in spite of the continuing experiments to set up market mechanisms for regulating proportions in the national economy, centralized distribution of investments is probably the only realistic instrument for influencing the structure of production and for maintaining at least some minimal proportionality in the economy.

But the inept and sometimes flagrantly arbitrary use of this instrument in the past has often augmented the imbalance in various proportions, and this has adversely affected the growth rates and efficiency of social production as a whole and of its individual sectors and branches. This occurred in cases when capital investments were increased in an attempt to achieve a result in places where its relation to the volume of resources allocated turned out in practice not to be so simple and rectilinear as was at first assumed. The most typical example is the food problem, which we have not managed to mitigate over the last 15 or 20 years in spite of the immense increase in investments and material resources committed to agriculture.

Something of the kind is obviously taking place in the current FYP as well. Although the proportions outlined for the redistribution of resources (in particular, the growth of the share of capital investments to develop machinebuilding, retooling, and reconstruction of production) have mainly been maintained, so far there have been no appreciable progressive shifts in the structure of production as envisaged by the 5-year plan both at the intersector level and also and especially at the intrasector level. As a consequence, the view is becoming increasingly widespread that possibilities for management of the structure of production through redistribution of resources, through detailed planning of the product mix, have already been lost to a considerable degree.

It seems to us that the main point here is that the very conception of the 12th FYP—in any case in the form in which it was subsequently implemented in the parameters of the plan—has not actually brought about conditions for a sharp change of direction toward modernization and structural revamping of production. What is more, it contained certain prerequisites for depriving the economy of stability and balance. This reference is above all to ideas about the advisable amounts of capital investments and directions for their use, which were shaped without sufficiently taking into account the real state of the economy and a number of new trends in its development that formed in the late seventies and early eighties. And although these notions have largely been revised under the pressure of circumstances, it is worth dwelling in detail on the oversights committed in shaping the investment policy of the present 5-year plan in order to draw the necessary lessons for the future and perhaps to stay away from shying from one extreme to another.

Experience has shown that the correlation between rates of structural transformations in macroeconomic proportions, in particular between proportions of accumulation, is not so straightforward as it seemed at first. The point of departure in drafting the plan for the current 5-year planning period was the task of substantially broadening the scale of technical reconstruction of the productive plant, which, it seemed at the time, was possible only if there was a sizable increase in the growth rates of the total volume of accumulation and of capital investments. This conclusion was also confirmed by research indicating a sharp drop in the scale of accumulation at the end of the seventies and the 1st half of the eighties. The argument was then accepted that "investment activity" had to be intensified, and in practice this signified a higher (than the general growth rates of the economy) growth of capital investments in material production.

At first glance, this logic is correct. As a matter of fact, an analysis of trends in the behavior of the rate of accumulation, especially when the calculation is done in prices reflecting the real production costs of output, makes it possible to discover a fact which is somewhat disguised when prices in effect are used for this purpose: its sharp decline over the last decade, mainly because of investments going to the development of fixed capital. Whereas in the mid-sixties the share of accumulation in the national income was 35.7 percent as we estimate it in prices proportional to costs, including 22.4 percent resulting from the growth of the net (residual) value of fixed capital, and in the mid-seventies these figures were 30.9 and 20.9 percent, respectively, even by the beginning of the present 5-year period it had dropped to 26.3 percent, while the growth of fixed capital had dropped to 13.6 percent.¹

But even this figure on the accumulation of fixed capital is quite probably too high because of underestimation of depreciation, resulting from the process of the inflationary rise in the cost of the capital added. If we assume that this rate of inflation was 4 percent per year (and that is a very cautious estimate) then at average growth rates for the addition of fixed capital of 6.1 percent over the period 1960-1987, the present coefficient of their renewal of 7.5 percent, and a service life of 21 years, the adjustment coefficient for depreciation will be equal to 1.26. When this is taken into account, the estimate of accumulation in fixed capital in the mid-eighties has to be reduced to 9.9 percent of the national income used.² And if we also take into account that approximately half of this amount goes today for nonproductive fixed capital, then the proportions of productive accumulation seem in fact quite negligible.

But a drop in the share of accumulation in the national income still does not afford the basis for speaking of

corresponding shifts in the structure of resource utilization. After all, the change in the proportion of the accumulation fund is subjected to a significant distortive influence not only by prices, but also by depreciation, which, as is well-known, are omitted from calculation of the national income and accumulation. In practice, this results in depression of rates of accumulation because of the gap in the rate of capital investment and fixed capital that occurred as our economy made the transition in the latter half of the seventies to a new and lower long-term trajectory of the growth of investments. The growth rates of fixed capital and correspondingly of depreciation may drop to that level only gradually, over a period close to the average service life of capital, and only after that is stabilization of the rate of accumulation possible.³ That is why the indicators of the utilization of the national income are essentially not very suitable today for estimating shifts in the macrostructure of social production.

Which makes it all the more impossible to judge such shifts through a comparison, as is sometimes done, of the rate of development of the branches of Groups A and B of industry or of the growth rates of the first and second departments of social production. These indicators include intermediate costs, and substantial changes are occurring in their final utilization. For instance, the faster-than-average growth of heavy industry over the period 1960-1985 (with a drop in the share of Group B from 27.5 to 25.2 percent) still indicates nothing about shifts in the relation between consumption and accumulation. After all, over that period the share of full costs of fuel and energy resources for personal current consumption rose from 36 to 43 percent, that of building materials and wood-chemical products from 24 to 38 percent, but the share of productive capital investments in the final use of these resources dropped: from 27 to 19 percent for fuel and energy and from 43 to 28 percent for building materials and wood-chemical products.

In our view, calculation of the elements of the gross national product (GNP) affords under present conditions the most objective picture of the end use of the economy's resources and, quite important, a picture that is comparable to other countries. It must include the entire volume of productive investments (not only the portion forming a net growth of fixed capital) and the full volume of output of the sphere of nonproduction services (including the value added here), and not merely the sum total of material costs, as is done according to the present methodology. According to our calculations, which were performed in prices proportional to costs (which makes it possible to eliminate the distortive influence of the pricing system actually in effect), the trends in the change of the structure of the GNP of the USSR formed as follows in the past (Table 1).

Table 1. Structure of the GNP of the USSR in Prices Proportional to Costs, in percentage

Year	Consumer Goods		Services*		Gross Investments (Capital Investments, Major Repairs, and Growth of Inventories)	Export-Import Balance, Losses, and Other Expenses
	Total, Including Output of Personal Subsidiary Farms	Purchases in State and Cooperative Trade Alone	Total, Including Science and Administration	Services to Public Alone		
1965	37.1	30.6	31.3	27.0	30.9	0.7
1970	38.0	32.1	32.2	27.9	29.4	0.4
1975	40.6	36.1	33.1	28.6	29.7	-3.4
1980	41.8	37.6	33.0	27.8	28.0	-2.8
1985	40.5	36.4	32.3	26.8	28.8	-1.6

* For the sake of comparability with calculations of the structure of the GNP of other countries, the value of services to the public was understated here by the size of profit determined at a rate of profitability of fixed capital uniform for the branches of material production (a similar underestimate is adopted, for example, in the practice of computing the GNP of the United States in connection with calculating the value of rent on real estate pertaining to the housing stock that is privately owned, and in a number of other cases).

As is evident from the figures presented, a certain growth in the share of total outlays of resources resulting in consumption, especially in the seventies, has been typical of the USSR as a whole over the 20-year period (1965-1985). This became possible mainly because of a change in the export-import balance because of the rise in world petroleum prices. The shares of the other main directions for final use of resources (investments and services) remain practically unchanged. To be sure, certain shifts have been taking place within these directions: for example, within the makeup of gross investments there has been a drop in the share of capital investments and an increase in the share of major repairs. But since the relative share of the nonproduction sphere in the total volume of capital investments decreased steadily over this period, there could be no question of any drop in investment activity. On the contrary, the share of resources invested in material production increased.

Another question is how effectively the larger volumes of capital investments were used from the standpoint of progressive structural changes? For instance, today only 4.8 percent of the total volume of investments is going for civilian machinebuilding, and even if we add to this the metallurgical and wood-chemical complexes, we get slightly more than 12 percent. Just as before, the overwhelming majority of them were going to such traditional "black holes" as land resource improvement, deliveries of agricultural equipment, and the military-industrial complex, where the need for capital investments could clearly be reduced. The fuel branches are also becoming more and more capital-intensive; to give them their due, it is true that they are not only meeting the country's needs for fuel, but also supplying it foreign exchange. All of this goes a long way to explaining the fact that a 1-percent growth of the national income of the USSR took approximately twice as much investment as in the other industrially advanced countries. This alone was enough to compel us to be stricter in approaching determination of the total volume of capital investments, especially in substantiating the new 5-year plan.

When priority directions in investment policy are being identified, it is important to have a correct understanding of the relation between the volume of capital investments and the capability of renewing the productive plant. As shown by research and confirmed by the first results of the current 5-year plan, the course aimed at a growth of capital investments can in certain respects prevent a modernization of production, especially in branches that directly supply material resources for investment projects: in the machinebuilding and wood-chemical complexes, metallurgy, and the building materials industry. The targets for a large-scale and forced solution of this problem over the period 1986-1990, while at the same time there was an acceleration in the growth of output, were in our view formed without sufficiently taking into account the objectively shaped patterns in the reproduction of fixed capital and their influence on the capital intensiveness of production.

Where here should attention be fixed in our view? First of all, on the fact that the pattern of reproduction of fixed capital, in particular the movement of the rate of its retirement, is under present conditions determined by the interaction of two processes. First, the rise in the rate of retirement is objectively predetermined by the transition to the new dynamic behavior of capital investments, which began in the latter half of the seventies. The rates of their growth dropped substantially compared to the previous period; at the same time, in their distribution there was an increase in the share of agriculture (the process of its growth occurred with particular intensity in the 8th and 9th FYP's), and, beginning with the 10th FYP—of the fuel and energy complex as well. This sharply reduced opportunities to increase investments in other sectors of the economy.⁴ But even with the drop in the growth rates of fixed capital which this caused, the need for its replacement continued to increase, since it resulted from the scale of activation of capital in the fifties and sixties and 1st half of the seventies, which was distinguished by a very high rate and substantial scale of investment activity. Assuming an average service life of capital assets of 20 years, we can

conclude that its retirement must increase at faster rates (compared to the growth rates of capital and of capital investments) at least up until the mid-nineties, and in many sectors even up to the end of the decade.

Second, the departure from operation of the outdated productive plant was delayed—the rates of retirement of fixed capital dropped in the 10th and 11th FYP's. Its growth is expected to be less than planned in the current 5-year planning period as well (approximately 2.8 percent, as against the 3.1 percent that was planned), and that means that the process of accumulation of outdated equipment is continuing. The trend toward an increased need for renewal of outdated assets has not only not been overcome, it has not even been halted: whereas in 1980 their wear was 33 percent, and in 1985 it was 37.7 percent, by this time it has reached 40 percent.

Consequently, the retirement of fixed assets has to be stepped up for some time in order to normalize their service life. When these two processes are added together, the result is a cycle in the renewal of capital that

predetermines a very sizable growth of the share of machines and equipment needing to be replaced precisely in the upcoming decade. After that, the rate could drop somewhat.⁵

We need to add to what we have said that the aging process of the productive plant is occurring extremely unevenly from one sector to the other: the degree of its wear is on the average very high where there is a high relative share of stationary manufacturing equipment, while sectors in which mobile equipment predominates in capital, are as a rule "not attaining" the established service life because of poor management. Statistical estimates show that in the electric power industry, petroleum refining, machinebuilding, the chemical industry, metallurgy, and the processing branches of the APK the service life of capital is 1.3-1.7-fold higher than the standard; in agriculture, the coal industry, and timbering and lumbering it is far below the standard. We can arrive at the same conclusions if we analyze data on the age-specific composition of equipment installed at the beginning of the current 5-year planning period in the branches of industry (Table 2).

Table 2. Age-Specific Composition of Equipment in Industry by Branches and Types of Equipment, in percentage of the total volume

Branches and Type of Equipment	Standard Service Life, in Years*	Share of Equipment in Age Groups		
		Older Than 5 Years	Older Than 10 Years	Older Than 20 Years
Industry as a whole	12.8	66.1	37.4	12.7
Breakdown by branches:				
ferrous metallurgy	14.8	72.6	45.3	18.5
nonferrous metallurgy	11.9	66.9	36.6	11.7
chemical industry	11.6	70.0	40.5	12.8
wood manufacturing	10.5	64.4	37.4	12.1
building materials	10.1	71.1	39.5	13.7
light industry	13.9	67.3	36.7	9.4
processing branches of APK	14.9	60.8	26.6	6.6
By types of equipment:				
steam turbines	28	91.4	74.5	48.2
chemical equipment	—	71.3	40.6	11.8
metal-cutting machine tools	19	78.6	54.4	21.1
woodworking machines	15	75.3	47.8	19.5

* For types of equipment, the average age of the unit retired.

Assuming a standard service life of equipment in industry of 12.8 years, about 40 percent of equipment is 10 years old or older, and in ferrous metallurgy this represents almost half of the equipment. In the chemical and woodworking industry and building materials production, where the standard life of equipment is on the order of 10 years, approximately 40 percent exceeds that age. As a matter of fact, the situation is probably still more problematical, since as a rule the new equipment is more expensive than the old equipment per unit of

production capacity, and that means that it is also being given a larger share in the age-specific structure.

Renewal of capital in the branches of the manufacturing industry, in which its greatest aging is observed, requires a partial or complete shutdown of the enterprises being updated, maneuvering with physical, human, and financial resources, and redistribution of output targets between production operations undergoing reconstruction and those related in their product mix. When plans are strenuous, this is very difficult to do. What is more,

special conditions of economic incentives have to be created for builders doing reconstruction projects because their labor intensiveness is higher than for new construction or enterprise expansion. It is naturally considerably simpler for both producers and planning authorities to saturate the economy with mobile equipment, without concerning itself about the conditions and period of time of its actual use. If the processes of retirement and renewal of capital are to be normalized in the present complicated situation, say, over a 10-year period, then by the end of that period the annual retirement of outdated equipment has to be increased 7-8-fold over the levels at the beginning of the current 5-year planning period in machinebuilding and metallurgy and 5-6-fold in the chemical industry and nonferrous metallurgy.

When the renewal of capital is being planned, consideration should also be given to the constant rise in its price per unit of production capacity. One indication of this is obtained by comparing the value of equipment retired because it is dilapidated and worn-out with the new equipment being installed. In the industrial sector as a whole, the value per unit of the new equipment is 1.98-fold higher; the average annual rate of price increases, based on a service life of 12 years, is 5.9 percent, including 2.9-fold in ferrous metallurgy (price increase of 6.9 percent), 1.7-fold in nonferrous metallurgy (3.5 percent), 1.4-fold in the chemical and building materials industries (2.6 and 3.1 percent), 1.5-fold in woodworking (3.2 percent), and 2.2-fold in light industry (5.5 percent). We submit that at the scale of renewal proposed above a general growth of capital investments of 4.5 percent per year would have to be maintained in the national economy, as was determined for the 12th FYP. Then in the industries that supply the physical basis for investment projects (it is their productive plant that has become oldest), capital investments will have to grow considerably faster—a minimum of 15-17 percent per year. Yet this is obviously unrealistic, if only because it requires colossal changes in the structure of equipment being produced.

We would accordingly like to emphasize that the methods traditionally used in planning for macroeconomic estimation of the need for capital investments (including models of the dynamic intersector balance), which are based on calculation of balances of fixed capital, linked to the volume of production through coefficients of the intensiveness of the product, are in our view not working today.

For instance, if we work with balances of fixed assets, then the share of the value of assets being retired in capital investments is only about 20 percent, and even if it were appreciably higher, this would not have any particular effect on capital intensiveness. But we are not taking into account here that capacities put into service an average of 15-20 or more years ago have to be updated, and the average price per unit of capacity to be introduced has increased greatly over that time. That is why a far higher portion of investments actually goes to

offset what has been retired. For example, at the beginning of the present 5-year planning period the ratio of equipment being retired in industry to newly installed equipment was 35 percent in terms of cost and more than 70 percent in physical terms. Approximately the same ratios also occur in various branches: 24 and 70 percent, respectively, in ferrous metallurgy, 36 and 63 percent in nonferrous metallurgy, 30 and 43 percent in the chemical industry, 48 and 71 percent in the woodworking industry, 40 and 88 percent in light industry, and 57 and 80 percent in the building materials industry. Under those conditions, large-scale renewal of capital on the whole must inevitably result not in a reduction of the capital intensiveness of output, which is usually an assumption built into planning computations, but in a substantial rise of capital intensiveness. In the situation that has now come about in the economy, when nonhomogeneity of capital is characteristic of each of its sectors (the differences in the cost per unit of capacity activated in different periods are substantial), the dynamic behavior of this indicator, in our opinion, can no longer characterize straightforwardly changes in the efficiency of reproduction and the utilization of capital. At a time when the unit of new capacity has a value that sometimes exceeds the average for the branch several times over, its activation could lower the indicator of the output-capital ratio even when the use of equipment did not deteriorate, and the actual cost of capacity being introduced had not risen over the previous period.

There exists, of course, a certain untapped potential for increasing the output-capital ratio, but its importance, as calculations show, should not be overestimated. Even if we assume the maximum possible improvement of capacity utilization (say, close to 100 percent), then even if the average annual growth of the output of material production at the level of 4-4.5 percent is maintained and full-scale modernization of its fixed capital is carried out at the same time, the growth rates of capital investments would have to be 10-11 percent. Consequently, they would have to be increased 2.8-fold in the course of two FYP's. In our view, under present conditions there is now no other realistic potential in most branches.

The objection might be raised here that the capital intensiveness of capacity being introduced could be substantially reduced or the rate of increase of its expensiveness slowed down. But then it is necessary to recompute the dynamic behavior of the volume of production of machinebuilding, construction, and capital investments. After all, there is a hidden rise of prices of capital goods in the rates of change of these indicators. As a consequence, if the program for renewal is carried out without shutting enterprises down, even if the growth of the volume of production is speeded up, it will still be necessary to increase capital investments substantially.

Proposals are sometimes made for economizing on the construction side of capital investments by expanding the scale of reconstruction and retooling. But matters here are not all that simple. As shown by analysis, the relative share of construction and installation work

(SMR) is in most cases not lower for reconstruction than for new construction and expansion of enterprises. Retooling cannot offset the retirement of capacity in all branches by any means. According to available data, as much as 70 percent of investments in retooling today do not involve any increase in production capacity. Under those conditions, if we try to maintain a 4.5-5-percent annual growth of output of material production, even beginning with the next 5-year planning period, we would even have to increase somewhat the share of SMR in capital investments to build production facilities.

In view of what we have said, we can conclude that the course aimed at a certain restriction of the growth rates of investments in the subsequent period would make it possible to reduce somewhat the excessively great load on the productive plant of branches forming the economy's resource base (including many types of machinebuilding), and it would not compel them to push output of a traditional product mix in largely outdated capacities. Calculations allow us to draw the conclusion that if output drops somewhat in such branches, it would be possible in them to greatly speed up retirement of the outdated productive plant from operation without increasing capital investments. This will in turn bring about a reduction in the load on branches supplying capital goods for investment projects. We are referring, of course, to a reasonable and selective limitation of requirements, not to an outright curtailment of the volume of production and construction in all branches.

Relieving the strain of requirements for a growth of output is a most important condition for improving utilization of capacity, especially new capacity. Because of the shortage of raw materials and manpower, today they are being substantially underutilized.⁶ Reducing the volume of production will make it possible to retire outdated equipment from operation and thereby free the necessary resources for normal operation. On the contrary, strenuous plans will reproduce as before the present situation in which the accumulation of outdated machines and equipment, diverting to themselves substantial amounts of material and labor resources (including resources to carry out major repairs), are combined with less than full load on new capacities.

Of course, negotiating a structural maneuver of this kind requires new approaches to the liberation and redistribution of resources, especially labor resources. There also has to be clear planning of the sequence of the large-scale retirement of outdated capacities and the retooling of various branches so as to avoid intensification of the shortage of physical resources. This sequence might, for example, be like this: first would come the subbranches of machinebuilding shaping its own productive plant, then ferrous metallurgy, the chemical and petroleum refining industries, the electric power industry, the processing branches of the APK (parallel to the development of their machinebuilding base). Taking into account the real situation in the economy, the priority should also go to radical reconstruction of branches working directly for man.

The approach to the problem of the growth rates of output (in summary value indicators) is also in need of critical reassessment in such a branch as machinebuilding. At the present time, there is an idea which in our view is somewhat oversimplified to the effect that these growth rates can be stepped up considerably assuming a stable growth rate of resources used here and even if they are cut back. In actuality, the rates of development of machinebuilding have been considerably overstated in the past. The reason is that the pricing mechanism has made it possible to increase not only gross output, but also net output, because of a growth of turnover within the branch.⁷ According to our estimates, the contribution of this factor to the growth rates of the output of machinebuilding have been at 2 percent per year in the five 5-year planning periods preceding this one. In the 12th FYP, the gap between the planned growth rates of the output of machinebuilding and those which were possible in terms of resource availability increased still more and reached 3-4 percent per year. This is apparently one of the reasons why it has become impossible in the present 5-year planning period to maintain high rates under the somewhat stricter conditions of price monitoring and quality inspection in machinebuilding.

It needs to be said that in the industrially advanced countries the rates of development of machinebuilding (in value terms) and of industrial production as a whole coincide as a rule or the former are only slightly higher. For example, in the United States over the period from 1960 to 1987 the output of machinebuilding grew 3.2-fold, and industrial production 2.6-fold, while the corresponding figures in our country were 12-fold and 5.3-fold.

Now that we have turned to international comparisons, we cannot but note that the total volume of investments (especially if it is related to rates of economic growth) is also higher in our country than in other advanced countries. The share of capital investments in the gross national product in the USSR has been stable at 28-30 percent, whereas in the United States it is 17 percent, in Western Europe no more than 20 percent, and in Japan, whose growth rates are almost twice as high, it is approximately the same as in our country. Consequently, when we take into account differences in rates of economic growth, the relative proportions of investments in the USSR are approximately twice as great as in the United States or Japan.⁸ If the return from them could be raised, for example, to the American level (assuming present growth rates were maintained), then this factor alone would make it possible to augment resources for production of consumer goods by 35 percent. But it has to be borne in mind that such a sharp change of direction for the economy itself requires additional capital investments.

A comparison of full costs of social labor used for specific end purposes: production of consumer goods, services, and capital investments, affords a still more vivid idea of the potential that lies in this kind of reorientation of resources. Calculations show that over

the last 2 decades there has been a decrease in the country both of the share of people directly or indirectly employed in manufacturing consumer goods (especially intense up until the mid-seventies because of the manpower leaving agriculture and because of the drop in general inputs of labor in the production of food), and also in the share of their remuneration in the total amount of wages. To be sure, distribution of labor resources does correspond today to the structure of the gross national product, but the share of the wages of people who ultimately are working for consumer goods is far less (even when we take into account that a portion of these products, above all agricultural products, are produced and consumed on the personal farms of individuals)—not more than a third of its total size. If we add here funds going for remuneration of labor in the sectors of paid services and related sectors, then it turns out that more than 55 percent of wages are paid to people whose labor does not participate either directly or indirectly in covering consumer expenditures.

We note for sake of comparison that in the U.S. economy at the beginning of the eighties the share of labor spent in branches directly or indirectly working for the consumer goods and services market was, according to our estimate, about two-thirds of its total size (both in physical and money terms), whereas no more than 23-24 percent went for the material coverage of investment projects. In our country, these shares are practically the same. This goes a long way toward explaining that huge gap in levels of remuneration and of the share of remuneration in the national income, that exists at present between the USSR and the advanced capitalist countries. If it is to be reduced, not only does labor productivity have to be raised, there also have to be profound changes in the structure of our economy.

We, of course, should not copy the proportions of anyone's economy blindly. But even today directions are becoming clear in which it would be possible in the future to reduce capital investments, and that means also giving a different direction to the capital goods branches (machinebuilding and construction) and the raw materials branches related to them. Now let us examine some examples, although they are quite well-known. For instance, according to available estimates, the economically substantiated demand of agriculture for tractors and other equipment could be reduced

by at least one-third. The real need for them is approximately still less: after all, of the 1,851,500 tractors and 550,800 grain-harvesting combines which agriculture received in the last 5-year planning period 87 and 80 percent, respectively, went to make up for retirement, since a sizable portion of them had been written off long before their rated service life had expired. The structure of tractors is also clearly unwise: we produce 18.2-fold more crawler tractors than the United States and 3.1-fold more powerful wheeled tractors, but only 1/450th as many tractors and engine blocks for gardens and orchards, which results in an immense overconsumption of fuel, metal, and other resources per unit of agricultural production. Another example is land resource improvement: while immense capital investments are made in it, comprising 20 percent of the total volume of investments in the APK, between 40 and 60 percent of the water taken for irrigation is lost.

Yet another major untapped potential for freeing up investment resources under our country's conditions has to do with a relative reduction of the costs of equipment repair. By the beginning of the present 5-year planning period, one-fourth of all machine tools were installed in repair shops, and more than 40 percent of machine tool and forge and press operators were employed in repair work. Almost one-fourth of the rolled products of ferrous metals and one-fifth of nonferrous metals allocated for production of capital goods in machinebuilding are spent solely to overhaul machines and equipment. The effectiveness of the use of these resources is extremely low as a rule; for example, metal-working equipment operates 3-4 hours per day. As a consequence, repair costs over the life of equipment quite often exceed the costs of its production; moreover, as much as 60 percent of those costs in the economy are related to tractors, motor vehicles, and other mobile equipment.

If the production of tractors and agricultural equipment and also the volume of reclamation work were reduced by one-third, then, as the calculations show, the national income could increase by at least 6 billion rubles, another 8 billion could be obtained from reducing by one-third the costs of repairing all types of equipment and metal products, including 6 billion rubles from reducing the costs of major overhauls. The total saving on some of the most important physical resources (over the entire chain of intersector relations) is reflected here in the figures presented in Table 3.

Table 3. Saving From Reduction of Certain Types of Capital Outlays

Type of Resources	Saving by Reducing the Following by One-Third		
	Production of Tractors and Agricultural Machines	Volume of Reclamation Projects	Overhauling of Machines and Equipment
Steel, thousands of tons	2400	824	3670
Coal, millions of tons	4.8	2.4	9.1
Petroleum products, thousands of tons	875	3300	3820
Gas, billions of m ³	4.2	1.47	6.1
Electric power, billions of kwh	6.77	3.4	17.6

Table 3. Saving From Reduction of Certain Types of Capital Outlays (Continued)

Type of Resources	Saving by Reducing the Following by One-Third		
	Production of Tractors and Agricultural Machines	Volume of Reclamation Projects	Overhauling of Machines and Equipment
Tires, thousands	790	192	935
Paints and varnishes, thousands of tons	24	—	55
Lumber, thousands of m ³	214	448	727
Cement, millions of tons	—	2.1	—
Prefabricated reinforced concrete, millions of m ³	—	2.4	—

This kind of reduction must, of course, be offset by increasing the efficiency of utilization of equipment and irrigation and drainage systems, and by an increase in the reliability, productivity, and diversity of machines and equipment.

At the present time, about 27 percent of all capital investments⁹—far more than in other industrially developed countries, goes to supply food to the country (including outlays in related branches). There is a clear warp in the structure of investments in the chemical industry, where the output of fertilizers increases from one 5-year planning period to the next, while targets are not being met for development of polymer production. The structure of our machinebuilding industry is not optimal: manufacturing equipment (including machine tools and devices) comprise only about 14 percent of its output, and motor vehicles 8 percent.

At the same time, more than a third of output goes for tractor and agricultural machinebuilding, heavy machinebuilding, and transport machinebuilding, repairs, and other traditional subbranches, which departs rather sharply from the structure of this branch in the advanced countries.

In the United States, for example, the share of automobiles, the electronics industry, and the electrical equipment industry is twice as high as in our country. As a result, while as a whole we have a higher share of machinebuilding in the net output of material production than, say, in the United States (16 as against 13 percent), we cover only 62 percent of the needs for equipment for capital investment projects from our own production. The share of machinebuilding in shaping total resources to meet the demand of customers represents only about 7 percent, whereas even in the seventies it had reached 16-17 percent in the United States and West Germany.

I would like to emphasize that we have been discussing only rather obvious reserves for more efficient use of investment resources, those which lie on the surface. A detailed workup of the volume and structure of capital investments in the 13th FYP should reveal the true need for these resources and in many other sections of production determine specific ways of moving them to spheres working for the consumer.

At the same time, as the resources of the economy are reoriented toward the development of the consumer complex and for social purposes, attention should also be paid, it seems to us, to the experience of the present 5-year planning period in this area, which has not been favorable in all respects. In the first 3 years of the 5-year planning period, planning targets were mainly met for redistribution of investment resources to develop the social and cultural spheres. The share of resources committed to consumption and nonproduction construction increased from 79.6 percent of the national income used in 1985 to 83 percent in 1988. But when priority directions for development of the consumer complex were being chosen in the plan for the period 1986-1990, full appreciation was not given to the fact that real costs of the economy's resources for these purposes are in most cases not being covered by expenditures of the public. As a consequence of reorientation of economic development toward the social sphere, while the socio-economic forms of providing a broad range of goods and rendering of services were retained (free or sizable subsidies), the load on the expenditure side of the budget was increased sharply.

Calculations show that every ruble invested in development of material production, in spite of the low efficiency of many spheres in the latter, ultimately yields an average of 1.04 rubles of additional possibilities for satisfying the demand of the population; that is, it increases by at least 4 kopecks the revenues of the budget (and this without taking into account alcohol and tobacco; when they are included, these figures rise to 1.25 rubles and 25 kopecks, respectively). That same ruble used to build housing and develop the service sector is covered by personal expenditures amounting to no more than 54 kopecks, and it requires another 46 kopecks of subsidies from the budget.¹⁰ It is clear, then, that the shift in distribution of resources in the direction of the social sphere in and of itself causes a substantial growth of personal money income without providing an analogous increase in revenues of the state budget. The compensation in the present 5-year planning period has proved to be insufficient both in the sphere of production (a slight increase of profit and reduction of resource intensiveness), as well as in the sphere of redistribution (there was no corresponding expansion of the production and supply of taxable consumer goods).

Thus, accelerated development of the social sphere substantiated from the standpoint of the present level of prosperity, and housing construction in particular, have at the same time become one of the prerequisites for an aggravation of the problem of financial coverage of these expenditures and for expenditure of the growing personal money income. When plans are drafted for the coming period, consideration should be given to realistic estimates of the growth of the financial resources of the budget for the production of consumer goods and the rendering of services. It would seem that we need to examine possibilities for drawing upon personal income for further development of housing and municipal services by changing the socioeconomic form through which these benefits are provided.

Footnotes

1. For sake of comparison, we note that if the calculation is made in prices actually in effect over the same period, both the total rate of accumulation and also the share of investments in fixed capital remained practically stable: the first at the level of 24-27 percent, and the second at about 15 percent, rising to 17-18 percent in the seventies. The reason for this difference is that the distortive influence of the turnover tax and the somewhat higher level of profitability of light industry and the processing branches of the APK compared to the branches of heavy industry (i.e., factors tending to boost up the size of the consumption fund calculated in actual prices) over the last decade is being offset to an ever greater degree. This is occurring because of the relatively low level of profitability of agriculture, the products of whose processing make up more than two-thirds of the personal consumption fund, because of increasing subsidies to retail prices for foodstuffs (today this amounts to almost two-thirds of the turnover tax), and also because of the higher profitability of capital goods branches—machinebuilding and construction—which shows a growth trend (relative to other sectors of the economy). When the calculation is made in actual prices, these factors operate to reduce the estimate of consumption and to boost accumulation.

2. We should note that this kind of reestimation of the consumption of fixed capital and also of the value of inventories is always done in calculating the national income and the statistics of foreign countries.

3. In actuality, this gap in the dynamic behavior of capital investments and fixed capital also increased because of tardy elimination of the latter from operation.

4. To be fair, we should note that even these decreasing volumes of capital investments could not be assimilated the way matters are organized at present and to a considerable extent would go to broaden the scale of construction.

5. We should note that somewhat similar processes related to the "demographic echo" of the war are also taking place in the reproduction of labor resources.

6. According to surveys, the level of supply of raw materials and supplies to enterprises activated since 1970 as a consequence of new construction was on the average 77 percent, and their capacities were being utilized at only 75 percent. At the beginning of the current 5-year planning period, 47.3 percent of enterprises did not have a full staff of personnel; what is more, their supply of labor resources was 73-76 percent of design requirements. At the same time, at other enterprises there was an 11-15-percent surplus of personnel. If we adjust these figures to take into account actual capacity utilization, then the relative surplus of labor resources in this group of enterprises can be estimated at 15-25 percent. Among enterprises activated as a result of new construction, the share of those which do not have a full labor force exceeds 60 percent according to the data of surveys.

7. Its share in total material costs of machinebuilding rose from 30 to 59 percent between 1960 and 1985, whereas the share of principal materials dropped from 48 to 26 percent.

8. The reference is to the share of investments in the GNP for every percentage point of its growth (marginal capital intensiveness). It is calculated from the average annual growth rates of the gross national product in the eighties: 2.1 percent in the USSR, 2.6 percent in the United States, and 4 percent in Japan. The estimate of the dynamic behavior of the GNP of the USSR was based on comparisons of the levels of national income in the USSR and the United States, the rates of its growth in the United States, as given in yearbooks of USSR Goskomstat, and a calculation of the relationship between the share of material production and that of the nonproduction sphere in the GNP of the USSR (with respect to the size of added value).

9. Not counting outlays to develop the social sphere in rural areas.

10. This also includes subsequent current expenditures and outlays for major repairs. It does not, of course, take into account gratis services, where the share of the budget in expenditures is all 100 percent.

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Levying of Enterprise Profit Taxes by Local Soviets Discussed

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[Article by O.V. Kolomiychenko, head of a sector of a branch of TsENII of RSFSR Gosplan and Candidate of Economic Sciences and V.I. Parotikov, chief of the Financial Administration of Lenoblispolkom: "A Local Soviet and Enterprises"]

[Text] The introduction of regional cost accounting calls for an increase in the opportunities of administrative-territorial units for self-government and self-financing in behalf of socio-economic development. As international experience has shown, the problem of self-financing is complex in nature, for in it are focused the economic interests of various levels: society on the whole, labor collectives, the population of a specific region, individual citizens and so forth. However, even in connection with the problem of self-financing for a region it is possible to single out several questions which for the most part offer a solution for the problem. There is first of all the question of the amount of payments from profit into the budgets of local soviets and the question of expanding their economic base. At the present time, they have become the object of active scientific studies.

With regard to the problem of taxing profit, one of the most urgent problems is that of converting over from differentiated rates (norms) for withholdings and from payments from profit to unified rates for all enterprises. The need for unified norms, under the conditions imposed by commodity-money relationships, is emphasized by Soviet economists who studied the market economy, individuals such as S. Lushin, S. Oksanich, I. Yakovenko, Ye. Yasin, V. Mashchits, S. Aleksashenko¹ and a number of others. Some economists consider it possible to single out a transitional period in which it would be possible to differentiate the normatives according to groups of enterprises (the position taken by the last three scientists mentioned above).

However, the majority of the specialists concerned with the problem of taxation and who call for a unified rate of tax on profits look for a desirable economic condition rather than advancing scientifically sound proposals which take into account the existing situation. If we view the situation realistically, even ignoring the objective nature of the different profitability level for the various branches, but based upon the indisputable fact that up until recently the profitability level for some enterprises and branches was deformed to a large extent by the command methods of economic administration, then it becomes obvious that the introduction of unified rates will have not only positive but also negative consequences.

The practice employed in capitalistic countries, in which taxation policies are directed towards stimulating the development of progressive branches and restraining undesirable production operations, also speaks in favor of differentiation of taxes on the profits of enterprises. Under the conditions imposed by a market economy and developed commodity-money relationships, the flexibility of such policies is an important factor for the effective resolution of economic and social tasks. Thus a contradiction arises between two rather severe requirements for the taxation of profits: one of a uniform and strategic nature and another of a differentiated character which expresses the tactics for solving the specific tasks of economic development. A solution can be found on the basis of compromise.

Taking into account the objective nature of the contradiction as formed, the search for a compromise must be carried out taking into account the economic interests of all of the parties involved. When converting a territory over to cost accounting, the local soviets are objectively interested in the accelerated and efficient development of all enterprises in their region and, it follows, in the introduction of unified taxation rates. At the same time, equal conditions are formally created for them. The latter leads to a situation in which highly profitable installations employing progressive technologies will be developed in a more stable manner.

Unified rates also ensure the "dismantling" of the expenditure mechanism, including through the stimulation of maximum realization of internal reserves. And it can be assumed that a socialist competition will arise among the enterprises and organizations of various branches, since they will all have equal opportunities for utilizing the deficit regional resources. However, the local soviets are also interested in the maximum amounts of the income portion of budgets. The establishment of a unified norm objectively leads to a weakening of and even the elimination of a number of enterprises and this will signify a reduction in the economic base of the local budget, a decline in its stability and the inability to carry out long-range planning and, it follows, to achieve purposeful solutions for the social problems.

The conversion over to cost accounting principles for administering regional development introduces substantial changes into the substance of the work being carried out by the local soviets. It appears to us that they can exert more active influence over the socio-economic processes provided their control is more competent and is transformed into a thorough analysis of the economic and financial status of each enterprise. Only if such an approach is employed will true partnership relationships be established between enterprises (organizations) and the local soviets and this will lead to the establishment of fair and scientifically sound norms and normatives for regulating the conditions for management in a region.

Withholdings from payments from profit for a local budget are a converted form of payment for regional conditions (resources) and their differentiation signifies the creation in actual practice of favorable conditions for some enterprises and organizations or the supplying of resources at lower prices.² Under cost accounting conditions, enterprises which obtained resources at a favorable price must introduce equivalent compensation into socio-economic development, and it need not be on a monetary basis, which can be deferred in terms of time.

By way of an overall condition for ensuring equal opportunities, we propose the establishment for enterprises, in a legal manner (in keeping with the authority of the local soviets), a unified normative for withholdings from payments from profit (either for all or according to levels of subordination) for a 5-year period. If statutes are adopted for taxing the profits of enterprises and if they are formulated in the draft Law on a Unified Tax System

for the USSR, then a unified rate for a local tax on profit (in addition to the union and republic rates) can be established for enterprises and organizations according to the levels of subordination—union, republic local.³ A lower rate for a local tax (regional) on profit is established simultaneously for some enterprises (regardless of the subordination level), or these enterprises are generally released from such withholdings, since maximum limits for the normatives (rates) for the union and republic budgets are set forth in the mentioned draft law. At the same time, the presentation of favors by executive organs within the limits of the total amount of taxes included in the appropriate budget is permitted. In the document under review, it is stipulated (Article 15) that the system for calculating the tax and the schedules for its payment are established by the appropriate executive organ. Hence the local soviet is justified in employing a selective approach for its enterprise-payers. At the same time, it is scarcely advisable to release unprofitable or low profitability enterprises from having to pay a local tax, as has been proposed with respect to the union tax, since such enterprises utilize regional resources and objectively hinder their more efficient use.

The proposed form of interrelationships is viewed as being a type of deferred payment or a form of crediting for these enterprises on the part of the local soviets and requires legal formulation. Since the pertinent amount of unreceived withholdings from payments from profit reduces the opportunities for financing the measures of the local soviets, it appears as the total amount of credit that the enterprise received from its local soviet. Thus, our proposal consists of establishing common economic conditions for all enterprises operating in the region, through the use of identical rates for payments into the local budget, with only temporary deviations from this system being tolerated. There will be no economic exceptions nor freedom from having to make payments. With proper legalization of the relationships between two economically independent managing subjects (the *ispolkom* of a local soviet in the form of appropriate services and enterprises), the contradiction mentioned above is eliminated.

International experience, including domestic experience during the period of NEP [New Economic Policy (1921-1936)], provides specific forms for the transfer and sale of the ownership of means of production through capital securities, which ensure a change in ownership in the "capital market" (in our case, we have in mind the ownership of enterprises). This includes shares of stock, medium and long-term bonds issued by local organs of government, banks or large industrial associations, cooperative shares, investment certificates and mortgages. Bonds and certificates appear as a form for long-term crediting, shares of stock and cooperative shares point towards the development of ownership relationships and, it follows, to acquisitions.

Computations carried out at industrial enterprises in Kingiseppskiy Rayon in Leningrad Oblast reveal that the

economic base of a rayon soviet can be expanded substantially through the introduction of new relationships with unprofitable enterprises. The rayon includes two such enterprises of union subordination, with a production volume of 17.6 million rubles, an overall staff of 1,672 workers and fixed productive capital valued at 54.5 million rubles and also two enterprises of republic subordination, the indicators of which are 7.6 million rubles, 332 individuals and 4.8 million rubles respectively. Based upon the draft "Temporary Statute on Withholdings From the Profit (Income) of Enterprises and Organizations for the Local Budget," as developed by the authors, the payments from the profits of profitable enterprises of union subordination (the normative for withholdings is approximately 2 percent of the balance profit) have been determined and for enterprises of republic subordination (approximately 19 percent).

In order to evaluate the possible volumes of deferred payments for unprofitable enterprises, computations were carried out on the auxiliary indicators for receipts into a rayon's budget per ruble of fixed productive capital for appropriate groups of enterprises and they turned out to be equal to 0.2 and 8.9 kopecks. Based upon the values for the auxiliary indicators and the value of the fixed productive capital of unprofitable enterprises and also taking into account the payments for labor resources which, in our opinion, must be added completely to a rayon's budget,⁴ the average annual (for the 13th Five-Year Plan) amounts of indebtedness for enterprises of union subordination have been defined in the amount of approximately 800,000 rubles and for enterprises of republic subordination—in excess of 400,000 rubles; for the five-year plan on the whole, the indebtedness of unprofitable enterprises to the rayon soviet will amount to more than 6 million rubles.

A computation was carried out on the possible indebtedness of these enterprises if they implemented a recommendation by a number of economists on the use of the tax instrument employed in capitalist countries—a tax on sales volume, which in our country can be transformed into a tax on products (services) sold. In conformity with the established volumes of payments by profitable enterprises into a rayon's budget, the indicator for such payment per ruble of marketable product was 1.09 kopecks for enterprises of union subordination and 3.79 kopecks for enterprises of republic subordination. This made it possible to determine the volumes of indebtedness based upon the scales for the production activity of unprofitable enterprises. For enterprises of union subordination, it will exceed 300,000 rubles for the last year of the 12th Five-Year Plan and for enterprises of republic subordination it will be somewhat less than 300,000 rubles. Accordingly, the overall amount of indebtedness for the five-year period is expressed in the amount of approximately 3 million rubles.

The substantial difference in the use of the two methods is explained by the fact that unprofitable enterprises of union subordination have very large volumes of fixed productive capital and low output capital ratios—

approximately 32 kopecks (according to 1988 data) and this predetermined the considerable volumes in payments when the first method was employed. The second method does not take into account the extent of the production potential of enterprises and in our opinion herein lies one of its obvious shortcomings. However, the amount of indebtedness of unprofitable enterprises to a rayon soviet is quite considerable in both instances. According to the five-year plan, the value of the productive capital of industrial enterprises of local subordination will amount to not more than 10 million rubles by 1995. Hence the formation of relationships with unprofitable enterprises on an economic basis can lead to an increase of from 30 to 50 percent in the property of a rayon soviet as revealed by computations.

The proposed system of relationships of enterprises with local soviets must be reflected in the appropriate budget. Withholdings which must be listed by unprofitable or low profitability enterprises are taken into account in its income portion, in the total amount of payments from the profit of enterprises of union and republic subordination. At the same time, the appropriate volumes of financial resources are shown in the expenditure portion, in the section on financing the national economy, since they must not be taken into account when financing feasible measures. Although such an approach appears to be somewhat cumbersome, it can nevertheless be of assistance in achieving several goals: the entire system of relationships assumes a completed legislative character; upon the condition that an enterprise raises its production efficiency and eliminates unprofitable operations during the period planned, withholdings which remain at the disposal of the local soviets will automatically begin to be added to the budgetary income. Finally, the relationships of an enterprise and the local soviet assume a clear quantitative aspect.

Let us examine some economic and social consequences arising out of the compromise proposed in the regional policies for taxing profits. First of all, it seems to us that a purely economic method is being created for strengthening the economic base of local soviets, distinct from the administrative methods for solving the problem of strengthening the economic base of a territory, as mentioned above in the draft General Principles for Restructuring Management of the Economy and the Social Sphere, the draft Law on Local Self-Government and the Local Economy, cost accounting plans for the Baltic republics in which the transfer of enterprises of the agro-industrial complex, light industry, the construction materials industry and trade, or generally all enterprises and natural resources, over to the appropriate soviets is proposed. The "debt" dependence of enterprises can be transformed comparatively easily into the right of joint ownership and at such a time active influence by the local soviets on the development of enterprises will be ensured.

Other possible methods for further developing the relationships of regional organs for economic management and enterprises may include an examination of the

questions concerned with converting an enterprise over to a lease basis for the purpose of raising profitability, reshaping (together with a change in the cost accounting model), merging with other enterprises regardless of departmental subordination, implementing (using the financial resources of the local soviet) compulsory modernization and technical re-equipping during simultaneous reshaping operations, the replacement (reinforcement) of the cadres of leaders and specialists as proposed by the local soviet and the creation of joint stock companies at such enterprises. In all probability, there are other and very diverse forms for implementation of the rights of ownership by the local soviets.

Secondly, new conditions from the standpoint of quality are arising in the relationships of the local soviets and the ministries, since the former are being transformed from applicants into departmental partners. It should be borne in mind that enterprises are making withdrawals from profits not only for the budget but also for the branch funds. Implementation of the recommendation as formulated will create a threat to a reduction in the general branch fund, a factor which the departments will be forced to deal with. Moreover, such a system of relationships is not dependent upon the status of the ministry: will it be, as earlier was the case, administrative-command, or as proposed by some economists—a cost accounting organ of administration. Indeed, the relationships have an economic basis and, it follows, they touch upon material interests.

Thirdly, strict control on the part of the financial organs will be established over the work of unprofitable enterprises and this of itself must play a stimulating role. In addition, the labor collective, the management of the ministry and in particular the administration of an enterprise will obviously be faced with having to make a choice in such a situation: either operational efficiency will have to be raised sharply or the elimination of the enterprise in its former capacity will become a reality and this will involve a possible change in the work location or other adverse aspects. It is obvious that a local soviet will participate in searching for a solution for a crisis faced by any enterprise that is not adversely affecting regional development. Thus it can be expected that, as a result of merging the interests and efforts of a labor collective, the branch and a region, prerequisites will be created for raising efficiency and eliminating unprofitable and low profitability enterprises.

The question concerning a change in the ownership of enterprises is rather complicated and accusations having to do with order of precedence may arise when examining it and a tendency towards raised prices may appear. It is our belief that the interests of all of the parties involved must be taken into account and that those who are interested in production profitability must pay prices for the products which will ensure such profitability. A local soviet must not tolerate a situation in which regional resources produce profits not for the population of a region but rather for a consumer who is located far beyond its borders. It is another matter

entirely if an unprofitable enterprise satisfies the requirements of the local population and other enterprises in the region. In such instances, subsidies by the appropriate soviet are justified. But in any case, decisions concerning them are dependent upon their competence. Consequently, with the spread of cost accounting relationships and the elimination of administrative-command methods of administration, including on the part of USSR Gosplan and USSR Minfin [Ministry of Finance], a real basis is appearing for the active inclusion of local soviets in economic life.

Footnotes:

1. See S. Lushin. "Tax Proposals." *PLANOVOYE KHOZYASTVO*, No. 4, 1989, pp 41-50; S.I. Oksanich and I.V. Yakovenko. "On Budgetary Payments." *FINANSY SSSR*, No. 4, 1989, pp 17-20; Ye. Yasin, V. Mashchits and S. Aleksashenko. "Thirteenth Five-Year Plan: From Economic Normatives To a System of Taxation for Enterprises." *VOPROSY EKONOMIKI*, No. 3, pp 73-82

2. Provision must be made for restrictions capable of precluding a redistribution of the profit remaining at the disposal of enterprises and organizations, in accordance with a decision handed down by the local soviet, in favor of a department or higher budget. For it is precisely in such a case that an enterprise will truly be able to sense the potential of the local organs of administration and be interested in their maximum realization.

3. In addition to the differentiation of payments according to the levels of subordination, which reflect the existing system of administration, differentiation by branches (in keeping with the level of subordination) should ideally be retained (at least during the transitional period).

4. Here we hold to the official point of view, which calls for retention of the payments for labor and natural resources. The introduction of a unified payment from profit (tax on profit), which is feasible, is not in conflict with the task resolved in the article, since profit is subject to taxation and payments for natural and labor resources assume the character of production expenses.

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Future Development of Banking System Examined

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No 12, Dec 89 pp 3-14

[Unsigned article summarizing a roundtable discussion organized by *EKONOMICHESKAYA GAZETA* and the editors of the journal *DENGI I KREDIT*: "The Banking System: What Should It Be Like?"]

[Text] Last September, *EKONOMICHESKAYA GAZETA* and the editors of the journal *DENGI I KREDIT* organized a roundtable discussion on the activity and prospects for development of the country's banking system. The discussion covered such issues as

the role of the banks in restructuring the economy, the state of credit financing and the circulation of money, the bank's partnership with the economy as the transition is made to cost accounting (*khozraschet*), the activity of commercial banks, etc. What will the banking system be like? This was one of the main questions at the meeting. Representatives of USSR Gosbank and of specialized and commercial banks and people from the economy and science took part in the discussion.

The proceedings of the meeting are given below in summary form.

Viktor Vasilyevich Muzhitskikh (deputy chairman of the board and chief of the economic planning administration of USSR Promstroybank). The banking system has been operating under the new conditions for just over 2 years. Even now, some results can be totaled up and the prospects for the further improvement of credit financing and for organizing the circulation of money and settlements can be discussed. At present, it seems to me, the new system can be given a favorable evaluation. For instance, last year the banking system achieved an approximately 14-percent reduction in investment loans. As you know, this is by no means a simple problem. Last year, there was no offsetting of mutual intersector claims for the first time; previously, about 10 million rubles had been set aside for this every year.

Another good thing is that services to support the economy's investing and principal activity have been concentrated in one of the bank's departments. A number of constructive changes have taken place in the management of credit resources: Branch banks have begun to work on credit contracts concluded with enterprises; that is, matters related to determination of the amount of credits and direct linkage to the economic performance of enterprises, associations, and organizations have been transferred from the center to the lower divisions of banks.

The banking system has begun to develop in other directions. To be specific, at the initiative of Promstroybank commercial banks were created last year in the Leningrad "Energomash" Association, in the "Tekhnzim" Association, and several innovative banks were also created.

We believe that commercial banks will develop in the future. Figuring as competitors of the specialized banks, they are generating an exploration for new methods and forms of operation. Specifically, Promstroybank began last year to develop partnership credit and to extend more aid to enterprises in marketing their large inventories of finished goods and supplies (credit financing covered by promissory notes), etc.

At the same time, we cannot but note the problems that have been arising—in particular, one of the most important ones—the restructuring of credit relations. It seems to us that we have to extend more rights to the bank's branches that directly serve the economy and give up the

detailing of a number of items which prevent the bank at the local level from being a true partner of economic authorities.

Another problem that is in need of solution without delay is the organization of settlement. There is practically no equipment in banks, and computerization is in a rudimentary state.

There are a number of problems related to regulation of the circulation of money. We feel that regulation of both the circulation of cash and the circulation of noncash money must take place in a single flow. This will make it possible to bring about a situation in which delays in payment of cash will become a rare exception.

We see the most important problem facing the bank in the area of restoring health to the financial situation. This effort, which was conducted last year by the banks, made it possible to normalize somewhat the state of affairs. But this problem has by no means been solved as yet. Inventories of finished goods and supplies are themselves evidence of this.

Going back to the question of withdrawing short-term credit investments, it should be noted that a program needs to be drafted that would make it possible to define the ultimate goal over a period of 3-5 years, so that enterprises could form their own working capital, as a rule from their own sources.

When we speak about the activity of the banks, we should emphasize that they must above all solve those problems set by the USSR Council of Ministers on the basis of the policy defined in the Congress of the USSR Supreme Soviet and the first session of the Supreme Soviet. We are referring to the government's economic policy. We feel that specialized state banks possess greater capabilities than commercial banks, whose points of departure are mainly the interests of a specific group of enterprises. In the context of the transition of an area to full cost accounting, specialized state banks are better able to satisfy the interests of developing both sectors and the region.

These are the problems which are disturbing all of us now, and they are related to the activity of our country's enterprises and to the solution of those problems that are arising with the transition to regional cost accounting.

Yu.G. Dmitriyev (editor in chief of the journal DENG I KREDIT). You have talked about the practical operation, about relations between the economy and the banks, and you have shown what kind of problems exist here. But what kind of problems are there from the organizational standpoint? What needs to be done to make the system operate more efficiently?

V.V. Muzhitskikh. That is a very important question. I will speak about it briefly. The problem is that the newly created banks, including the commercial banks and the innovative banks, are only beginning to go through a process of evolution. It cannot be said that the new banks

have fully manifested themselves and corrected the state of affairs in the economy to any important extent. Even now the abrupt upheavals which some people are proposing to carry out will hardly be economically justified. Before expanding and developing the commercial banks, we must make a thorough analysis of the impact they are capable of having on economic development. It seems to me that the commercial banks are suffering now from excessive commercialization of activity. By comparison with the specialized banks, they have been placed in considerably more advantageous conditions. But competition between banks of all types must be based on equal conditions and opportunities.

Vyacheslav Sergeyevich Zakharov (deputy board chairman and chief of the Administration for Planning and Coordination of the Activity of Banks of USSR Gosbank). Viktor Vasilyevich has said that Promstroybank expresses the interests of the state. No one doubts that, but, comrades, for the last 60 years we have done nothing but express the interests of the state, and we have reached the point where credit has lost its original purpose. Perhaps we simply have been expressing those interests incorrectly through bank actions?

V.A. Savanin (deputy chairman of the board of the Russian Republic Bank of USSR Gosbank). What Viktor Vasilyevich has said is subjective in nature.

Everything we are discussing today is related to Decree No 821 and its implementation. More than 2 years have already passed since that decree's adoption, and quite a few major changes have occurred in that time. It would be interesting, then, to know the position of the specialized banks in the context of the organization of regional cost accounting, the principles on which it will be structured and developed, and the role of the specialized banks in building regional cost accounting. Because if today we discuss a topic like the banking system without taking up the question of the interests of regions and cost accounting, without touching upon the interests of the state, in all probability we will not arrive at answers to the questions that are put.

Yuriy Vladimirovich Trushin (deputy chairman of the board of the USSR Agroindustrial Bank and chief of its Economic Planning Administration). I would like to continue the topic which you have raised. With respect to the transition of the banks to full cost accounting and self-financing, Decree No 821 has not been altogether implemented. And now that 2 years have passed, we are finally getting around to that. Giving branch banks the necessary independence in providing credit, settlement, and cash services to the economy will be helpful in that direction. The transition of the banks themselves to cost accounting must unquestionably play a constructive role. Up to now, after all, for all practical purposes bank branches have not had resources with which to operate, and only now are they beginning to get involved in that.

V.A. Savanin. Yuriy Vladimirovich, does it not seem to you that under present conditions the transition of the

banking system to cost accounting is somewhat out of line with the conditions for development of the economy itself and the conditions for the functioning of the banking system? It is hard for me to imagine the system of Agroprombank and its local branches operating on the principles of cost accounting.

Yu.V. Trushin. I do not think that the transition of Agroprombank to cost accounting is a far-fetched idea. It is true that the situation for the transition to cost accounting is complicated. Delinquent loans represent a third of total indebtedness. Up to 1989, these were noninterest-bearing loans. Incidentally, in 1988 we reduced investment loans by 10 percent. This year they will be reduced by another 16 percent of the total. We have worked out an entire program for withdrawal and reduction of investment loans obtained to cover above-allowance inventories of finished goods and supplies and the shortage of "own" working capital.

The question of interest rates on credit must also be dealt with. Otherwise, credit cannot be a real economic lever that has an effective impact on the economy.

P.A. Korotkov (department editor of *EKONOMICHESKAYA GAZETA*). The transition of the banks to cost accounting is one of the issues that bothers us. It would be interesting to hear how this effort is going in branch banks. How ready are the branches to make the transition to cost accounting?

Igor Nikolayevich Sharov (manager of the Gagarin Branch of Promstroybank in Moscow). Our branch made the transition to experimental cost accounting beginning in January 1988. How has this affected the operation of our bank? Activity is more businesslike, job motivation is improved, there has been a rapid increase in the number of efficiency proposals, which is related to the noticeable increase in financial payments from our funds. Cost accounting gives the branch an opportunity to see the results of its work, but it is not free of deficiencies either. The branch is unable to dispose of production assets and funds for social development in the amount that it has earned. For all practical purposes, we have no opportunity to work with the loan fund the branch possesses; work is done subject to the limits received from the administration. This is a very great deficiency, because while the economy has an economically sound need for credit, we cannot satisfy it because the limit-allowance on credit resources is insufficient, and at the same time we are unable to make use of the uncommitted credit resources which we possess. So that for the present, cost accounting turns out to be limited in the branch. If cost accounting is to begin to operate with full force, the branch has to be given broader rights to finance enterprises, associations, and organizations with credit.

I would like to express an idea, and I think that I will be supported by many of my colleagues who are the managers of rayon banks, that creation of banks specialized by sectors has not justified the hopes placed on it when they were created.

I see a future for the entire structure of the banking system in which all the state banks, for instance, those which are now specialized, will operate under the same conditions under which the commercial banks operate now. That means a flexible interest-rate policy, "floating" interest rates, and the independent handling of credit. What is more, if commercial principles are adopted in the operation of the lower-level institutions of the specialized banks, then here it would not be the commercial banks, but the newly organized banks that would offer competition to the state banks, and vice versa.

And last, in the future, it seems to me, every branch of a bank must have the right to conduct currency and settlement operations.

M.M. Titarev (senior scientific associate of the Credit and Finance Scientific Research Institute of USSR Banks). What does the branch bank receive, the resources themselves or a limit-allowance of resources?

I.N. Sharov. The limit-allowance of resources. When we were drafting the program for cost accounting in the branch, in our case we were guaranteed credit resources of 120 million rubles for the clients served by Zhilsotsbank. The limit-allowance of credit resources for the branches of Zhilsotsbank is allocated to us quarterly in the amount of 30-35 million rubles. And it is within the confines of that limit that we operate. The buying of resources is not part of our practice.

A.S. Velitskiy (manager of the Lyubertsy Branch of Zhilsotsbank). In what does experimental cost accounting differ from that defined by Decree No 821?

I.N. Sharov. Above all, in the procedure for formation of funds.

A.S. Velitskiy. You have the right to form only the fund for remuneration of labor from your income?

I.N. Sharov. Technically, that is the way it seems. We receive budgets for 1989 for a unified fund for remuneration of labor with a breakdown into the various forms: wages, financial assistance, and the fund for development of production and social welfare.

Konstantin Borisovich Shor (chief of the Moscow City Administration of USSR Gosbank). It seems to me that Igor Nikolayevich Sharov has touched upon an important problem of the transition of the lower-level banking unit to the commercial plane. But it has to be examined in the context of the future development of the banking system as a whole. Today, there is a new wave in the organization of the banking business, and in my view it is very alluring—this is the creation of the commercial banks. According to the conception, in the commercial

banks we should combine the interests of the state with the interests of groups, and then development of the economy will proceed more effectively.

If we assume that a commercial foundation represents the future for the lower-level banking unit, then one must agree that the credit resources formed in a particular area must belong to the bank that serves that area. That will constitute the cost accounting of the bank, and it will be cut off in its lower-level unit, since it is not hampered by the indication that it belongs to Agro-, Zhil-, or Prom-, which as of today is a definite check on development of direct relations between the lower-level unit and its customers. But if we are going to talk about regional cost accounting, then the question that arises is this: Who is the owner of the resources, since he is the one who should dispose of them?

V.A. Gnatov (deputy chairman of the board of the Russian Republic Bank of USSR Promstroybank). And how will scientific-technical progress take place under those conditions?

K.B. Shor. As they develop, enterprises will be interested in scientific-technical progress to a greater degree than when their hands were tied, and they can obtain resources in sufficient quantity. Now that we are calling upon the enterprises to be independent, let us also call upon the banks to be independent, and partnership will develop out of that.

Vladimir Viktorovich Vinogradov (chairman of the Moscow Innovative Commercial Bank). We need to create a national scientific fund that would possess amounts in the billions, and from that fund support should be given to scientific-technical progress in the initial stage. In the stage of application, support would be given with credit. And then it will be profitable for us as a commercial bank to extend that kind of loan. For instance, we are ready even now to extend a loan in the amount of 30 million rubles to the "Krasny Proletariy" Plant for those purposes.

A.S. Velitskiy. Where did you get the money?

V.V. Vinogradov. From stockholders, from the enterprises which are served in the specialized banks.

R.A. Salekhov (deputy chairman of the board and chief of the Administration for Organization of Credit Financing and the Financing of State Trade and Light Industry of USSR Zhilsotsbank). I have a question for Konstantin Borisovich. Today, the loan fund is managed centrally. You favor regional decentralization of the loan fund; to what extent is this justified in the present stage?

K.B. Shor. I do not want to talk about the union-level problem. The problem of the right of the region to dispose of its own resources does arise as a given city makes the transition to cost accounting. I see no great trouble in this. As a practical matter, the problem has been resolved in relations between the State Bank and the commercial banks; it is a question of depositing

certain amounts in accounts in Gosbank, and the State Bank will dispose of that portion of the loan fund centrally. The problem here lies only in correct determination of the rate of transfers to the centralized fund.

V.S. Zakharov. There are resources of three banks in the Russian Federation at the present time: Promstroybank, Agroprombank, and Zhilsotsbank. And there is no direct connection between them. These resources may be transferred from one bank to another only through union-level authorities, and then only theoretically; this does not occur in practice. Proposals are being made to the effect that within the framework of regional cost accounting there would be a regional republic credit plan, and the owners of these resources, the managing authorities, would not be those three banks, but the region in question. In my opinion, this conforms fully to the principles of regional cost accounting and applies to resources mobilized to the banks themselves in that region. What is more, should those resources not be forthcoming, they will obtain a reinforcement from the republic's centralized fund; that is, it is not each bank individually that will receive it, but the republic, if there is a deficiency of the sum total of resources of the three banks.

V.V. Muzhetskikh. In that case, will there not be a situation in which the ministry's dictatorship, which enterprises have been getting away from, will be replaced by the dictatorship of local government authorities? Because even an enterprise under all-union jurisdiction falls under the dictatorship of local government authorities in the scheme you have presented. How then will economic authorities operate in the context of the Law on the State Enterprise?

V.S. Zakharov. I did not say that local government authorities would dispose of those credit resources. They will be disposed of by the banking system, by the republic bank, not by the republic's council of ministers or any other government agencies.

V.V. Muzhetskikh. Your scheme omits something as important as all-union property, which constitutes an interest for all the union republics. Who will regulate that?

V.S. Zakharov. It will be represented by centralized credit resources assigned to the particular republic as a function of the need for its development.

R.A. Salekhov. Which means that there has to be some one and only one regional bank which would take over that function?

But our point of departure is still that in this stage the republic specialized bank and union bank possess far greater information about the needs of the sectors of the economy being served. I therefore believe that in this stage centralized resources needed by the all-union enterprise or enterprises at the republic level must be regulated by the State Bank through the appropriate specialized bank.

A.S. Velitskiy. Much has been said here about granting rights at the local level to bank branches, about converting them to cost accounting, but for some reason no one has said that the branch bank can operate normally in the context of cost accounting without having its own charter capital (*ustavni fond*). What kind of independence, what kind of cost accounting can there be at the local level unless somewhere it is stated that the branch must possess its own charter capital. After all, all these matters are highly interdependent.

Yu.V. Trushin. On the subject of charter capital. At this point, we do not have enough of it to distribute it, and it seems that we will not succeed in creating it even during the FYP. I would like to express my opinion on the question of planning credit that was raised by Vyacheslav Sergeyevich. It seems to me that this will be the first step toward return to the unified monopoly system of the State Bank. Why? In our agroindustrial complex, only 15 percent of the indebtedness is covered by "own" credit resources. If the credit plan should be drawn up in the region, our agroindustrial complex (of the republic) will face the dictate of the State Bank one on one.

V.S. Zakharov. Agroprombank's credit plan for 1989 was identical to the credit plan of Gosagroprom. Agroprombank's credit plan for 1990 will represent the sum total of the credits of its enterprises, and this will reflect not only machinebuilding, but also light industry and trade.

M.M. Titarev. The need to approach the problems under discussion from scientific positions has been quite rightly noted here already. As a matter of fact, we can hardly approach even relative mutual understanding on all the problems of improving the structure and increasing the efficiency of the banking system unless we decide on what theoretical foundations the organization of present-day money and credit relations is to be built.

We assume in principle that we are guided in this matter by the principles of Marx' money theory. But at the same time, evidently, we do not always take into account that K. Marx had two models of the mechanism by which the laws of the circulation of money operated and manifested themselves. One of those models has to do with the conditions for the functioning of real, i.e., gold, money, and the other with the movement of paper money, which does not have intrinsic value. In our country, and this is probably true in other countries as well, gold money has not been in circulation for a long time. Consequently, the laws of the circulation of money corresponding to the movement of that money cannot and do not operate.

But in theory and in practice (this is being manifested with particular acuteness now) we go on—obstinately, it must be said—holding on to Marx' first model of the mechanism whereby these laws operate. It is natural, then, that our present practice of organizing money and credit relations should not operate as we would like. And possibly that is why certain economists are beginning to

think that we have no money and credit theory at all. In this connection, they persistently recommend that we arm ourselves with the up-to-date quantitative theory of money.

It seems, however, that the discrepancies in our money and credit practice are not the result of our failing to operate according to the formulas of the quantitative theory, but a consequence of the fact that while we constantly allude to K. Marx, we do not always apply correctly the propositions of Marx' money theory.

So, if we are guided not by Marx' first model of the operation of the laws of the circulation of money (which, as noted above, is inapplicable under present conditions), but conform to the principles of his second model, then in planning and organizing all money and credit processes we should start not with the nominal volume, but the real volume of credit resources.

As a matter of fact, both in planning practice and in the practice of credit financing we continue to take their nominal magnitude as the point of departure, and accordingly we grant unnecessary credits in the amount of the difference between the nominal and real size of credit resources. These extra, i.e., essentially unbacked by resources, credits are mainly granted to cover the deficit in the state budget, and as a consequence the circulation of money is being continuously pumped up with empty money, which intensifies and aggravates inflationary processes.

Further, it is supposed at present that Gosbank grants the specialized banks the credit resources they lack out of the centralized loan fund. In actuality, no real transfer of credit resources can take place here, nor does it. The specialized banks are merely assigned a limit-allowance for credit financing within the limits of the total volume of investment loans envisaged by the summary credit plan approved by the government for the entire credit system.

Analogously, the sale of surplus credit resources and the purchase of credit resources which are lacking, which has been made the basis for organizing the cost accounting of the lower-level institutions of the bank, is also provisional in nature. In this case, no practical transfer of credit relations takes place either, since the branch banks also are not extended additional credit resources, but assigned the same limit-allowance for credit financing, which for some reason is called the credit resource limit.

All these and other difficulties have been caused by the fact that the overall organization of money and credit relations is built on assumptions of the redistributive conception, which was correct and vital at a time when real, i.e., gold, money was circulating. Its use in the context of bank notes does not conform from the theoretical standpoint with Marx' second model of the operation of bank notes, and at the practical level it makes it necessary to resort to various qualifications, and as a consequence the schemes of the functioning of money

and credit relations built on these conceptions not only do not work, they are even causing serious disruptions in the circulation of money.

It has accordingly become necessary to bring our money and credit practice into conformity with those principles of Marx' theory of money which can actually be applied to conditions not of the circulation of gold, but of bank notes which do not possess intrinsic value.

A number of speeches here have emphasized the idea of setting up a full-fledged money market, which was related to the prospects for development of the commercial banks. That connection does actually exist in real life. The functioning of the commercial banks unconditionally requires a money market. But it should be borne in mind in this connection that a money market is essentially a market for capital which (the capital) circulates on the money market in the form of securities. Securities in turn, as is well-known, are an attribute of fictitious capital. Accordingly, we need to approach all these interrelated problems (in connection with setting up a money market) so as to take into account that they accord with the basic principles of Marx' theory of fictitious capital, which has its special laws of movement that differ from the laws of movement not only of real capital, but also of money capital.

The need to emphasize the importance of taking these principles of Marx' into account arises, first, because in discussing the problems of setting up a money market Marx' theory of fictitious capital has not been taken into account at all. Second, because failure to take those principles sufficiently into account could lead to many important errors difficult to correct in organizing the money market.

This has been manifested with full obviousness even in the present discussion: Some feel that the banking system must be a two-level system, while others on the other hand adhere to the viewpoint of the greater expediency of a three-level system, and many have not yet come to a sufficiently definite conclusion on this matter.

The problem of the criteria for evaluating the performance of the commercial banks is very important at the present time. Those indicators being talked about at present come down mainly to the fact that this assessment frequently turns out to be external and essentially a formality. The number of commercial banks, the size of their capital, the volume of credit extended, the figures on interest paid and received are taken as the basis of the assessment, and something is said about bonuses paid, and so on.

The main indicator that reflects the real effectiveness of the commercial banks is absent: Nothing is said about the real result achieved by the economy because of the credit operations and financial operations of the commercial banks. And this is causing very serious concern.

V.S. Zakharov. What model do you adhere to?

M.M. Titarev. As I said, that model which pertains to the circulation of bank notes that have no intrinsic value and derive value only in circulation, when there actually is real circulation.

A.D. Timoshin (chief of the Budget Administration of the Mosgorispolkom). I have not felt any real effectiveness resulting from the division of the banking system. Nor has it been felt by the organizations which we have been financing. In the initial period, things were especially complicated with settlement, when amounts that had not been confirmed by bank documents reached the level of 10 million rubles. Unfortunately, such cases are encountered even now. This is not history, this is real life.

The second question concerning the circulation of money. Money is issued by the specialized bank, but responsibility is shared by ispolkoms, the Moscow Soviet and rayon soviet, because all the decrees of the USSR Council of Ministers on this question have been addressed not to the specialized banks, but specifically to the ispolkoms of the rayon soviet, to soviet power. Before the division, when we had a single leadership headed by the Moscow City Office of Gosbank, we had confident knowledge as to exactly whom we could hold substantive talks with on money resources. This also applied to the matters of preparing documents concerning the economy's financial situation. Now it has become difficult for us to get our Moscow city bank administrations together on these matters.

As a member of the Moscow Council of Banks, I see how the operation is structured in the Moscow Bank Council itself. I get the impression that the independence of the specialized banks is not leading in the direction of a unified guidance of bank policy.

At the present time, the number of banks in the city is increasing, they have to be managed, and that is why there should be a coordinating center. Whatever it is called—the regional bank or something else, it must exist. That is my opinion.

And finally, on the matter of cost accounting. We have all been saying that the banks are making the transition to cost accounting. But what have the specialized banks specifically given Moscow over the last 1.5 years? Over practically that entire time the city budget has not received anything from them.

Dmitriy Dmitriyevich Korolev (deputy general director of the "Koloss" PO). I would like to express my opinion about what the bank and the credit system should be like. It might not coincide with the opinion of our bankers, with their classical idea of the bank, but life is life, and the bank exists on behalf of production, on behalf of the service sector.

The "Koloss" Association is involved in organizing the production of foodstuffs and food concentrates. The task that has been set our association is to build capacities so as to completely supply the population of Moscow with various foodstuffs made from potatoes and to reduce the

sorting of potatoes in fruit and vegetable depots. We process very inexpensive raw materials, and our entire development is dependent upon bank credit.

What ways are there? It seems to me that the bank must earn money along with industry. In the meeting today, I have constantly heard: limit-allowances, limit-allowances, limit-allowances. When we go to the bank, the impression is created that the economic entity would like to deceive the bank, and the latter is thinking how to refuse to grant the loan. It is all highly bureaucratized, much is still held captive by instructions. The state is helping us to acquire equipment and to attract foreign firms for two purposes—to fully supply the population of Moscow and to set up a model business operation whose use would make it possible to organize an entire sector of the economy. But this is a complicated problem, and we must give credit to Agroprombank, which has set up the "Koloss" branch of the bank within our operation, and we have been receiving loans.

I liked the speech of the representative of Promstroybank concerning partnership credit. Yes, there must be trust, and trust lies in seeing to the interests of the economic entity, the bank, and the state.

In our view, bank institutions must be granted broader rights in establishing differentiated terms for repayment of credit. The banks also have to take a more active part in introducing effective measures and have to receive profit from that.

P.A. Korotkov. The commercial banks operate on the principles which have just been discussed. I would like Vladimir Viktorovich to tell about that.

V.V. Vinogradov. Dmitriy Dmitriyevich has proposed supporting the initiative of Promstroybank concerning authorized credit (*doveritelnyy kredit*). We have had authorized credit in effect since the first day we were created. For our stockholders, we issue credit that does not exceed the amount of the contribution to charter capital within 15 minutes; larger amounts are ready within an hour.

We are now discussing matters related to restructuring the banking system; its present forms, as far as we have been able to understand, have not resolved the problems that exist, and the banking system has not become more progressive.

It is clear that the full transition to market relations cannot be made immediately. There have to be intermediate forms and stages. We regard ourselves as some kind of experimental model. People will learn from our experience, and we in the specialized banks will be learning together. We would like it if this experiment were carried out under less complicated conditions. To what am I referring? The specialized banks should be on a par with the commercial banks at the lowest level with respect to their operating conditions.

If the branches were placed in the same conditions as us, then the price of the loan would drop off sharply. With a 1-percent margin or three-fourths of a percentage point, the way the prerevolutionary commercial banks operated in our country, but even in that case we would gain.

Perhaps our advantage today is based only on the fact that we are in the initial stage. Even when they have a number of benefits (unfortunately the competition is rather weak), many commercial banks are experiencing difficulties at the present time.

About creating joint enterprises. Our bank has created two joint enterprises and is now involved in organizing two more. We feel that this is a most profitable and interesting area. We know from the experience of foreign commercial banks that they derive 70 percent of their income from joint enterprises. Authorized credit for the participants in this bank, for the stockholders, is paramount.

In working with our customers, we are striving for that partnership in effort of which Dmitriy Dmitriyevich rightly spoke. But our loans are expensive, we cannot lend money at less than 6 percent, because we ourselves pay an average of 5.5 percent for the funds.

We have quite a few problems: For example, we have anything but relations of partnership with the specialized banks, which hold up settlement, which remove deposits from the accounts of enterprises that want to transfer them to our bank. According to the available normative documentation, this should take place without delays. But that is not the way it is in practice at all. It would seem that the solving of these problems would go far faster if a law on banks and a law on the State Bank were adopted.

I would like to say a few words about the Moscow Banking Alliance, in which there are 17 banks. The aggregate of this alliance's charter capital and capital attracted is about 1 billion rubles. We requested that the Mossovet transfer two-thirds of tax revenues to the local budget. We would also like to cooperate actively with the Mossovet in the construction and reconstruction of Moscow.

Even now, the commercial banks are making an essential contribution even to the food program, even though they are not all operating energetically as yet.

R.A. Salekhov. How many permanent customers does the bank have?

V.V. Vinogradov. More than 150 organizations receiving services in connection with settlement; about 40 of them are state enterprises, about 15 joint enterprises, and the rest are public organizations and cooperatives.

V.A. Gnatov. How many innovative measures have you financed with credit?

V.V. Vinogradov. At this point, we have financed on the order of 20. The actual amount of the investments is 1.5 million rubles, and there are contracts for more than 3 million.

V.S. Zakharev. Up to this point, we have registered the charters of 162 banks. That is in 1 year: 61 of them are cooperative banks and 101 have been created by other organizations.

A few words about the scale of their activity. The declared charter capital amounts to 3 billion rubles, 1.9 billion rubles have been paid in, and various loans have been issued in the amount of 4.2 billion rubles. As for the paid charter capital, this is already comparable to the scale of "own" capital of all state banks taken together.

These banks have not been encountering any difficulties at all from Gosbank in their creation, because in principle we are trying to support all the initiatives proposed to us.

What do you see as the constructive aspect? Here, Vladimir Viktorovich spoke about his own work. Of course, if every bank operated that way, that would be very good.

What is the attraction in setting up these banks? The formation of commercial banks creates a money market as an integral part of the unified socialist market. We understand, of course, its insufficiency in the absence of a market for machines and equipment. But we had to begin somewhere. We should note that these banks enter into mutual economic relations with one another and conduct an independent credit policy and interest-rate policy. This is fundamentally important, since they themselves also determine the conditions for the granting of credit and the interest rates in lending and borrowing operations. It is that in fact that reflects their truly commercial nature. There has been criticism to the effect that the commercial banks will collect too high interest rates for the loans they extend, and there are even those who think that this will put economic entities in a very difficult position and will compound their financial difficulties. But that is not my thinking, and I feel that in the context of the scarcity of credit resources, and that is exactly what we should be talking about, a strict approach is needed to the granting of credit. I think that it is the commercial banks that are now determining the true value of resources on a market basis, which at present they are doing purely empirically.

Under those conditions, customers have begun to be more circumspect and economical in the taking of loans. If Agroprombank offers them a loan at 1 percent, they borrow 1 million, but if they have to pay 6 percent, then perhaps they will take only 100,000. There is no administrative approach here, no rigid assignment of limit-allowances, everything is done on an economic basis.

The commercial banks are not committing credit resources where the limit-allowances indicated previously, but where they see a specific expediency. I understand that their activity must be regulated, and Gosbank is not relieved of its duties. But the main thing and the right thing is that they are bound up with the interest of the entire state.

I agree with Vladimir Viktorovich that the commercial banks are also a testing ground for noncash settlement. Relations in settlement, and, most important, relations concerning credit resources, concerning their use, can be set up correctly only on the basis of correspondent relations. As far as I know, the Moscow "Soyuzbank" Association wants to set up a settlement center in Moscow where it is proposed that correspondent accounts be opened.

A.A. Khandruyev (deputy director of the Scientific Research Institute of USSR Banks). Briefly about the problems facing the banking system. The question of monopoly has been raised here. This does not seem to be a topic for serious conversation. It is time to stop treating monopoly as a kind of bugbear with which we frighten one another. This is a term which can have the most diverse meaning. But there is a monopoly of the central bank in all countries in the world, a monopoly over setting priorities, goals, and money policy, monopoly over the use of the instruments for money regulation, monopoly over surveillance of activity of all commercial banks without exception, monopoly over the issuing of bank notes and credit. This is the alpha and omega of the banking business.

What guarantees the effectiveness of the central bank's monopoly? Only one thing—it does not take part in competition.

How do I see the banking system of the future? First of all, I would include an enhanced role for the central bank. This should be a vital concern for all the banks in the country. If decrees on cost accounting are adopted in a number of republics and they issue their own money and set up their own separate central banks, then a unified banking system will not be achieved. We all suffer from that, because we are all sitting in the same boat. Not because the central bank is a good bank, but because the oarsmen in that boat are the commercial banks, and the central bank is always the coxswain. It must perform the functions of the coxswain.

At this point, there is a very important task of thinking what to do to the banking system at the level of the central bank. In my view, in view of our country's multinational character and its federal system, we need to study very carefully the foreign experience that exists, in the United States, for example. It is possible it would make sense to reorganize Gosbank on the model of a federal bank that would take into account the specific nature of our country and open 15 republic banks as federal banks, and in Moscow there would only be the

council of governors. Or again we might have a central bank on joint stock principles.

But it is quite obvious that we need to think seriously about the unity of the banking system.

The second problem is relations with the budget. Management of the state debt must be placed in the hands of the central bank. It is clear that in this case we need to organize a securities market, above all through the issuing of bonds.

The third problem of the central bank is the transition to economic methods of money regulation. The transition has to be made to regulating the entire circulation of money, we have to learn to make effective use of an instrument like mandatory credit policy, we have to make the transition to shaping the market through gradual, step-by-step creation of a money market, and we have to learn to regulate interest rates through Gosbank's rate. Only under those conditions will we be able to control the banking system in the country.

The fourth problem, about which Vyacheslav Sergeyevich Zakharov and others have already spoken, is transformation of the system of settlement, because the MFO system was designed for one bank. If we adopt a course toward a two-tier system, then the organization of bank settlements must also correspond to that system.

And last. At this point, it is very important to us all that the law on banks be adopted.

Yu.A. Balagurov (deputy chief of the Economic Planning Administration of USSR Promstroybank). In all countries, there are three or four major banks which are the conductors of government policy.

I do not think it is quite correct to say that our system must have only two levels. There has to be a three-level system. What is more, the commercial banks must be refinanced through that bank with which they are associated. All the refinancing of the commercial banks must be done exclusively through the appropriate specialized bank. In no country in the world is the central bank the one that extends credits to all comers.

Vladimir Viktorovich has said that the specialized banks have to be put on a par with the commercial banks. This is what I took this to mean: putting them on a par means placing them in equal conditions. I would be very happy if that were the case, because from the standpoint of cost accounting establishment of a specialized bank is very far from equal rights with commercial banks. This has been mentioned here. First of all, they do not have the right to use those credit resources which they possess because of the rigid limits on credit financing, and they cannot make wide use of a range of interest rates. From my point of view, no authentic cost accounting can be imagined at the level of the branch bank unless it is given the right to use the resources which it has at its disposal.

As for an opinion on the question of concentrating resources at the disposition of the region, I think that this

is a very dangerous and incorrect strategy. It goes in the face of world practice for the central bank to be both the distributor of resources and also the last resort.

It seems to me that we have to change the present system for regulating the circulation of money. Declarations alone to the effect that we have to make the transition to economic methods of regulating the circulation of money are not enough. We need a real money market. It is not possible to set it up in a year or 2, that is what we should strive for, because a market is not simply a theoretical concept. In this connection, we should take a critical approach to the credit and cash planning we now have.

R.A. Salekhov. Much has been said today about the banking system in the future. And once again, in coming back to this question, I would like to emphasize that in all cases the development of the banking system has to be examined from the angle of the real situation in its close ties to the condition of our economy, the development of the productive forces and production relations, and prospects for their development and improvement. And we cannot and must not take over the experience of the advanced capitalist state just as it is. We have to take into account constructive aspects in the development of our banking system.

It seems that over the next 5 or 10 years we will not manage to make the complete transition to market relations. Which is in fact why management of the banking system must take as its point of departure that we will have a combination of planning and the market, and at first planning will have dominant importance.

V.A. Gnatov. It seems to me that the State Bank ought to make the transition to truly economic methods of regulating both the circulation of money and the circulation of credit more rapidly. With the technology that we have today, all resources are taken into account in the credit plan, in Gosbank's plan. And when the commercial bank begins to buy funds, this is nothing other than the creation of fictitious capital. That situation has been brought about because of the absence of real economic methods of regulation. It is well-known that a decision has been adopted in all the specialized banks to reduce credit resources. This puts the enterprises we serve in a situation where they are forced to go to the commercial bank. And the commercial bank, taking advantage of those conditions, has an opportunity to operate and derive profit. I think that a unified credit policy must be conducted.

On the topic of regional cost accounting, I would like to note that regional cost accounting cannot be bound up with the regional cost-accounting bank. The bank is a system which is one order higher than regional cost accounting.

Yu.G. Dmitriyev. All the speeches that have been made in our meeting make it evident how acute and crucial these problems are. But one question has remained as in a shadow—that is the organization of operation at the

lower level, which is the foundation of the entire banking system. This is where the problems of direct economic relations between the bank and the economy are solved. I do not know about EKONOMICHESKAYA GAZETA, but we receive quite a few letters from branches subordinate to various higher-level specialized banks expressing serious concern about the situation in which the lower level finds itself.

In this connection, it seems to me, when we talk about the real need to develop the bank network, we must not forget the real possibilities; here, I am referring above all to the existence of professionally trained personnel, the adequacy of physical plant and equipment, and so on.

P.A. Korotkov. I surely will not be mistaken if I say that this has been a really interesting and above all constructive discussion. It cannot leave either the bankers or the economic practitioners indifferent, and it will help to solve the problems which disturb us all more quickly.

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INDUSTRIAL DEVELOPMENT, PERFORMANCE

Incentives for Small Enterprise Development Proposed

904A0158A Moscow PRAVITELSTVENNYY VESTNIK
in Russian No 2, Jan 90 p 4

[Article by A. Pevzner, RSFSR honored economist:
"Only Through the Establishment of Small Enterprises
Is It Possible To Get Out From the Captivity of Giants"]

[Text] If in the very near future we do not succeed in increasing the number of enterprises in all economic sectors severalfold, economic reform will not move forward—monopolism will stifle it. After all, only the existence of a wide network of enterprises makes it possible to form a market based on economic competition and to fill commodity-money relationships with a real content.

About 45,000 state enterprises and more than 100,000 enterprises based on other forms of property, including about 60,000 cooperatives, now operate in the sphere of industrial production. However, such a number of basic links is totally insufficient for the development of market relationships on the scale of our economy. And if we take into consideration that small enterprises account for less than 20 percent of the sold products and rendered services and that large complexes, which, as a rule, occupy a monopoly position, are their basic producers, it becomes clear that, to say the least, it is premature to talk about competition and the development of commodity-money relationships under such conditions.

Taking into consideration the length of the investment cycle, the number of enterprises in the national economy can be increased in a short time only through an accelerated establishment of small plants and factories. A

rapid recovery of capital investments allocated for construction, reconstruction, and retooling is their important economic advantage. This makes it possible, first, to carry out technical renewal in a short time—no more than 2 years. Second, a rapid recovery makes it possible to form sources of investments through the mobilization of regional financial resources without attracting state capital investments and with a simultaneous rapid saturation of the market with goods and services. The orientation of small enterprises mainly toward the regional market is a significant factor here. The importance of this increases sharply under the conditions of development of economic independence in regions and territories and strengthening of their financial base. Tax payments of cooperatives and state enterprises of local subordination now enter the local budget revenue. Subsequently, this procedure should be also extended to all small enterprises.

On the other hand, local soviets should consider small enterprises located on their territory the main production base for forming an efficient structure of the municipal economy and of the territorial social and cultural complex and give them all possible support.

The efficiency of use of such forms new for our economy as the formation of special financial funds of the consortium or holding type, which have become widespread in the world economy, can be verified at the base of small enterprises. These funds, which operate like legal entities and are controlled by representatives of their participants, will be formed from contributions of local soviets, enterprises, and organizations located on a given territory. The resources of these funds can be spent on financing either predetermined measures (consortium), or be distributed on a competitive basis for different goals (holding). Indicators of social, not only economic, efficiency—for example, organization of the output of the scarcest products and priority development of certain types of services—serve as criteria for choosing the object of financing here.

The rapidly changing demand and regular renewal of the assortment of produced goods require the formation of a technical base of small enterprises and their provision with equipment making it possible to change technological processes in a short time. In developed countries precisely small enterprises account for a significant share of advanced machinery, which ensures production flexibility and is especially designed for operation under such conditions.

Unfortunately, a different picture is observed in our economy. In accordance with the dogmatic postulate on the advantages of large-scale production (which remains in force also today) principal attention and, accordingly, the lion's share of all types of resources were and continue to be allocated for the formation of large complexes and the manufacture of equipment designed for operation under such conditions. Even in the sphere

of consumer goods the main gamble is made on large-series and mass production—individual and group demand is virtually not taken into account.

We would like to note that the orientation toward mass and large-series production of consumer goods is also the consequence of dogmatic assertions, which are not confirmed by practice, on the advantages of large enterprises. As a result, the production of sets of equipment for small enterprises virtually does not exist in our country and they are equipped with the same machinery as large enterprises. There are extremely few standard plans and standard planning solutions for small enterprises.

We should not count on our industry's ability to fully solve independently problems of equipping small enterprises. Therefore, along with restructuring a number of existing enterprises for these purposes, it is advisable to purchase abroad both sets of ready equipment for small enterprises and licenses for their production, as well as know-how, to set up joint enterprises, and to establish the necessary cooperative relations.

The utilization of the advantages of small enterprises is possible only with a sharp increase in their number, rise in the level of their equipment, and creation of conditions necessary for efficient economic activity.

A fundamental rejection of the approach to small enterprises as an additional component of the economy performing an auxiliary role with relation to large enterprises is the first such condition. It is necessary to realize that such enterprises function along with large enterprises as equal participants in the process of public production. Moreover, in a number of sectors producing consumer goods and providing services small enterprises should become the main form of organization of the basic national economic link.

The organization of strong state support for the formation of a network of such enterprises, without which, especially at the first stages of this process, it will not be able to develop with the necessary intensity, is the other important condition.

Such support should include, first, a system of tax privileges: exemption of small enterprises from tax payments for the period during which new capacities are put into operation and during the first time after that. The same approach is also necessary when especially scarce products are produced, or when services of special social significance are provided. In order to stimulate large enterprises, which invest their funds in the development of small enterprises, they should be fully or partially exempted from paying a tax on the part of profit that is directly (through contributions to development funds) or indirectly (through consortiums or holdings) invested in small enterprises. Of course, the income obtained from such capital will be taxed in accordance with the general procedure.

Second, through a system of state orders placed on a competitive basis it is necessary to organize the development and manufacture of sets of machinery and equipment for small enterprises operating in various industrial sectors. Under conditions of the shortage of basic material resources small enterprises should be supplied without any restrictions on the basis of wholesale trade.

It is also necessary to form a system of state and public organizations actively promoting the establishment and functioning of small enterprises in the form of different unions, groupings, and associations formed in a region according to the sectorial, territorial, or functional principle. They will conduct a study of demand and carry out other work on marketing, organize scientific and technical developments, material and technical supply, sales, and information services, represent small enterprises in bodies of state administration, protect the interests of these enterprises, and so forth. Within the framework of such unions specialized cost-accounting enterprises—engineering centers, advertising offices, bases, stores, and so forth—can be established for a joint performance of functions. Several such associations have already been established in Moscow and the Estonian SSR.

Finally, another condition is connected with the solution of the property problem. The advantages of small enterprises (even with the fulfillment of previous conditions) can be manifested only when they function within the framework of the market economy, leaning on a system of contracts, utilizing the privileges and advantages granted them, flexibly changing the assortment structure, and being guided by market conditions. For this, however, state regulation of their activity must be carried out only through the taxation system, allocation of scarce resources and plots of land, granting of (or refusal to grant) other economic preferences, or establishment of restrictions stipulated by law, and exercise of financial, ecological, and other control.

No obligatory planned or other assignments, as well as demands for an obligatory development of long-term plans, should be imposed on small enterprises. All economic relations between state bodies and enterprises should be built exclusively on a voluntary contractual basis, including the placement of a state order.

Under such conditions the small enterprise, essentially, "breaks away" from the system of direct centralized management and becomes a distinctive partner with the right to enter into any associations voluntarily. In this case, however, reservation of the status of a "state enterprise" to such an enterprise loses its meaning. Moreover, in order to increase its responsibility for the results of its activity under conditions of considerable market uncertainty, it is necessary to deprive it of such a status and to undermine the basis for economic dependence.

Therefore, the transformation of all small plants and factories into enterprises of collective ownership, that is,

cooperatives, people's enterprises, joint-stock companies, and partnerships, as well as organizations of lessees, is the most important measure. Labor collectives of state enterprises and lessees should be given the right to buy back the property of these enterprises. At the same time, workers must participate without fail in this buying back with their own funds. In the necessary cases interest-free credit repayable from the part of the cost-accounting income intended for distribution among workers can be issued to them for these purposes.

Communications Minister Outlines Goals

904A0158B Moscow PRAVITELSTVENNY VESTNIK
in Russian No 2, Jan 90 pp 4-5

[Article by E. Pervyshin: "Establishment of Efficient Structures of Communications and Telecommunications Is a Nationwide State Task. How To Accomplish it?"]

[Text] I remember how many discussions there have been recently about unifying ministries of communications and enterprises of the communications equipment industry within the framework of one sector. It seems that at this stage of economic reform the adopted decision is correct: So long as a market has not been created and supply and demand are not balanced, apparently, there is no other way except a reasonable combination of centralized and democratic management based on the Law on the State Enterprise. Yes, there are still many contradictions here, which should be eliminated in time. However, as long as our economy does not stand more firmly on its feet, all other ways are associated with a risk, which is hardly justified at this moment.

The renewed USSR Ministry of Communications has to begin its work under complex conditions of the transitional period and, therefore, it is especially important to take advantage of the opportunities inherent in the structure of the new sector. They include primarily the fact that from now on it will be possible to solve all problems concerning programmed and operational planning, development, production, and operation of communications systems and facilities within the framework of a single complex. Of fundamental importance is the fact that the inclusion in the USSR Ministry of Communications of scientific, production, technological, and installation enterprises of the former Ministry of the Communications Equipment Industry will strengthen the sector's potential and will make it possible to solve problems concerning the development and modernization of electric and postal communications, television, and radiobroadcasting facilities in an accelerated manner and on the necessary technical level and, as conversion expands, to additionally give both new equipment and consumer goods to the national economy. At the same time, it is planned to utilize the entire diversity of organizational and economic forms of activity: concerns, joint-stock enterprises, laboratories, work based on contracts with institutes of the USSR

Academy of Sciences and higher educational institutions, cooperated production, and joint organizations with foreign firms.

Unfortunately, today we have to catch up with developed countries, because our lag in a number of directions in communications is perceptible. It holds back the rates of economic development and gives rise to the population's valid criticism. For many years the country has invested in the development of the civilian communications sector one-tenth or one-twelfth of what, for example, the United States did. This situation has not changed even now. For example, in the United States, despite the high level of installation of telephone lines in the country, in 1988 the output of equipment and expenditures on the development of telephone communications networks increased by 3 percent (as compared with the previous year), reaching 27.2 billion dollars. In our country they do not exceed 3 billion rubles. As a result, we now have a line of 15 million [people] waiting for the installation of telephones and obsolete automatic telephone stations. We have a shortage of a modern element base and new technologies.

In order to eliminate the lag, we will have to work in two parallel directions: To increase the production and commissioning of traditional communications facilities and, at the same time, to develop and introduce new equipment: digital transmission systems with a large information capacity on the basis of fiber-optic communications lines, electronic switching systems, which make it possible to give the user, in addition to telephone communication, the opportunity to exchange facsimile information and to directly access the established data bases and banks, and "electronic mail" services.

Space communications capacities must be seriously developed on such a vast territory as ours. Interesting plans for the establishment on geostationary orbits of heavy permanently operating space platforms equipped with new facilities and multiwire antennas are now being developed. This will make it possible to transmit a large number of television programs to the country's remote regions, to carry out multiprogram stereophonic radio broadcasting, and to transmit other information. On land it will be possible to manage with simple and inexpensive (eight- to tenfold cheaper than existing) communications stations and to have direct reception from space to television sets and radio receivers available to the population.

Of course, a great deal depends on how efficiently we develop new equipment and technologies and how rapidly we begin to master them, at the same time, retooling enterprises and, to be sure, taking advantage of all conversion opportunities.

In brief, it is a matter of an accelerated creation of an additional production and technical potential, which will require considerable capital investments. Taking into consideration the country's complex financial situation, from where are we to take them? Calculations

show that, if during the 13th Five-Year Plan 70 to 80 percent of the profit, including currency profit, earned by sectorial enterprises is assigned for the sector's development and not deducted into the budget, conditions can be created for its accelerated strengthening.

It is vitally necessary to eliminate the lag in the sphere of informatization. Evaluating the situation in the world, it can be asserted that the establishment of powerful and efficiently operating communications and telecommunications structures is becoming a nationwide task for any state claiming a place among developed countries. This is especially important for such a country as ours with its vast opportunities and heretofore uncovered potential.

REGIONAL DEVELOPMENT

Poll Assesses Obstacles to Implementation of IME

904A0194A Tallinn SOVETSKAYA ESTONIYA
in Russian 2 Feb 90 p 4

[Results of poll by Information Center of Journalism: "What Is Hindering the Implementation of IME?"]

[Text] Here are the results of the November poll by the Information Center of Journalism in which 1,500 people were surveyed. The answer "greatly hinders" is reflected in the percentage indicator of the poll results.

What is hindering implementation of IME?

Obstacle	Estonians	Non-Estonians
Opposition by USSR central bodies	64	25
People set in the old ways	35	44
People's lack of experience and skills in making their own decisions and taking responsibility for them	35	44
No standards of labor	46	41
Lack of competence and educated leaders	29	54
Poor state of education	34	29
Strong opposition by mid-level leaders	28	38
Incompetence of mid-level leaders	18	26
Fear of making life worse, uncertainty in the future	19	35
Incompetence of republic's top leadership	10	17
Republic's top leadership incompatible with positions held	12	15

In your opinion, is the republic's present leadership capable of implementing the basic ideas of IME?

Response	Estonians	Non-Estonians
Yes, it is	20	5
Sufficiently	42	25
Partly yes, partly no	28	31
Insufficiently	4	9
Not at all	1	3
Hard to say	5	26

ESSR Law Creates Bank of Estonia

Text of Banking Law

904A0142A Tallinn SOVETSKAYA ESTONIYA
in Russian 11 Jan 90 pp 3-4

[Law adopted by the ESSR Supreme Soviet in Tallinn on 28 December 1989, signed by A. Ryuytel, presidium chairman, and A. Almann, presidium secretary]

[Text] This law defines the economic and legal foundations of the activity of banks in Estonia, their place and

role in development of the republic's national economic complex in the context of vigorous use of money-exchange relations and the functioning of a market, as well as the development of international economic relations.

In the interests of expanding the services rendered by banks and improving their quality, the present law creates the prerequisites for competition between different banks in attracting customers for commercial activity, in obtaining credit resources and in their effective use.

The law delimits the functions of the central bank (Bank of Estonia), the commercial banks, and other credit institutions.

Title I. General Provisions

Article 1. Definition of a bank

A bank is an institution conducting banking operations envisaged by the present Law.

Article 2. Banking operations

(1) A bank may perform all or some of the following banking operations:

- 1) the attraction and placement of money deposits and loans;
- 2) the handling of settlements by order of customers and correspondent banks and the rendering of cash services to them;
- 3) the keeping of accounts of customers and correspondent banks;
- 4) the financing of capital investments by order of the owners or disburers of the resources being invested;
- 5) putting bank notes into circulation and retiring them from circulation;
- 6) the issuing of payment documents (checks, letters of credit, promissory notes, etc.) and other operations involving them;
- 7) the purchase and sale of securities (shares of stock, bonds, etc.) and other operations involving them;
- 8) the issuance of guarantees, suretyship, and assumption of other obligations for third parties calling for performance in the form of money;
- 9) assumption of the claim arising out of delivery of goods and the rendering of services, taking upon itself the risk of collecting those claims and the collection of those receivables (factoring);
- 10) the acquisition and leasing of equipment, transportation equipment, and other property (leasing);
- 11) the purchase of foreign exchange from organizations and individuals and its sale;
- 12) the purchase and sale of precious metals, natural precious stones, as well as articles made from precious metals and precious stones;
- 13) operations involving precious metals in keeping with international banking practice;
- 14) consulting and the services of an intermediary.

(2) Banks may perform other operations with the permission of the Bank of Estonia issued within the limits of its authority. Banking operations with foreign exchange, precious metals, natural precious stones, and also products made from precious metals and precious stones are conducted only in accordance with the procedure established by the Bank of Estonia.

(3) Only the Bank of Estonia puts bank notes in circulation and withdraws them from circulation.

(4) The operations envisaged by the present article may be performed in the monetary units in circulation in Estonia or also in a foreign currency according to the procedure established by the Bank of Estonia.

(5) The bank performs operations envisaged by the present article within the limits set forth in its charter.

(6) Banking operations envisaged in Paragraph 1, Subparagraphs 1 and 2, of this article are considered null and void when performed by persons not authorized to perform them.

Article 3. The name of the credit institution

The word "bank" may be used in a corporate name or for advertising purposes only by banks and institutions authorized to perform banking operations in accordance with the present Law. The corporate name of a bank must contain the word "bank."

Article 4. Delineation of liability of Estonian SSR and that of the banks

Banks are not liable for the obligations of Estonian SSR, Estonian SSR is not liable for the obligations of banks, except in the cases envisaged by the present Law, and other cases when Estonian SSR assumes such liability.

Title II. The Banking System of Estonia

Article 5. The components of the unified banking system

(1) The banking system of Estonia is made up of the Bank of Estonia, commercial banks, and other credit institutions.

(2) Commercial banks may open branches and offices upon prior notification of the Bank of Estonia.

(3) Banks may create alliances, associations, and other organizations.

(4) The provisions of the present Law apply to the formation, activity, and termination of activity of all banks in Estonia and their branches and offices.

Article 6. The legal basis of the activity of banks

(1) In their activity, banks are guided by laws of Estonian SSR, by other decisions of the supreme body of government of Estonian SSR, and by their own charters, and commercial banks are also guided by the normative acts of the Bank of Estonia issued within the limits of its competence.

(2) Banks are not entitled to carry out instructions and demands which do not conform to the legislation of Estonian SSR and their own charters.

1. The Bank of Estonia

Article 7. Status of the Bank of Estonia

(1) The Bank of Estonia is an independent institution accountable to the supreme body of government of Estonian SSR.

(2) The president and Council of the Bank of Estonia are appointed for a 5-year term by the supreme body of government of Estonian SSR. The president of the Bank of Estonia is at the same time the chairman of the Council of the Bank of Estonia.

(3) The functions, rights, and duties of the Bank of Estonia are defined in its charter, approved by the supreme body of government of Estonian SSR.

(4) The Bank of Estonia consults with commercial banks and the alliances and associations they have formed before it makes the decisions indicated in Articles 18, 19, 28, 35, and 49 of the present Law.

(5) The Bank of Estonia publishes its balance sheet and a report on its activity.

Article 8. Principal tasks of the Bank of Estonia

The principal tasks of the Bank of Estonia are as follows:

1) implementation of the republic's economic strategy in the areas of the circulation of money, credit financing, budget financing, settlement, and foreign exchange relations;

2) management of the republic's monetary and credit system;

3) maintaining stable circulation of money and stable purchasing power of money circulating in Estonia, determination of the exchange rate of the national currency against Soviet currency and the currencies of foreign states.

Article 9. The Bank of Estonia as the note-issuing center of Estonian SSR

(1) The Bank of Estonia is the note-issuing center of Estonian SSR, which regulates the number of monetary units which are in cash and noncash circulation.

(2) In order to guarantee stabilization of the circulation of money and to improve property relations, within the Bank of Estonia and the ESSR Ministry of Finance there is a state property department which has exclusive jurisdiction over the organization of the sale, leasing, or transfer to joint stock companies and other juridical or physical persons enterprises, institutions, and organizations (or parts of them) which are the property of the state, as well as the use of the income obtained from this.

Article 10. The role of the Bank of Estonia in executing the state budget

(1) Jointly with the ESSR Ministry of Finance, the Bank of Estonia establishes the procedure for performance of operations with respect to cash fulfillment of the state budget by commercial banks; jointly with the ESSR Ministry of Finance it regulates the state debt, recruiting help from the commercial banks in determining sources, terms, and conditions in seeking the borrowed money resources of the republic.

(2) The maximum level of the state debt is established by the supreme body of government of Estonian SSR.

Article 11. Foreign economic functions of the Bank of Estonia

(1) The Bank of Estonia represents the interests of Estonian SSR in relations with the central banks of other states, with international banks, and with other financial and credit organizations. It may act as follows in this connection:

1) take loans from foreign and international banks and other financial and credit organizations and issue promissory notes;

2) grant credits and loans to foreign and international banks, credit organizations, and other organizations;

3) accept resources in accounts and deposits from those banks and organizations;

4) conclude correspondent agreements and other agreements with them;

5) undertake suretyship in its own name;

6) issue to Soviet and foreign juridical persons and also international organizations guarantees covering money obligations;

7) conduct other operations in keeping with its charter.

(2) Mindful of the economic situation of Estonian SSR, the Bank of Estonia regulates the use of foreign credits.

2. Commercial Banks

Article 12. Functions of commercial banks

On a contract basis, commercial banks provide credit, settlement, and other banking services to juridical and private persons by performing operations and rendering services envisaged in Article 2, Paragraph 1, Subparagraphs 1-4 and 6-14, of the present Law.

Article 13. Charters of commercial banks

(1) Commercial banks operate on the basis of the present Law, their charters, and other laws of Estonian SSR.

(2) The bank's charter must contain the following:

1) the name of the bank and its location (mailing address);

- 2) list of banking operations performed by the bank;
 - 3) the list of assets formed by the bank and the initial amount of charter capital;
 - 4) reference to the fact that the bank is a juridical person and operates on the basis of full cost accounting (khozyaystvennyy raschet);
 - 5) the bank's structure and the functions of its management bodies and officers;
 - 6) procedure for formation of the bank and for termination of its activity.
- (3) The charter may also include other provisions related to particular features of the bank's activity. Amendments to the charter are made when there are amendments in legislation of Estonian SSR regulating the activity of commercial banks.

Article 14. Taxation of commercial banks

Commercial banks pay taxes in accordance with the Law of Estonian SSR on Taxation.

Article 15. Formation of the charter capital of commercial banks

The charter capital of a commercial bank is formed from contributions of the founders and shareholders.

Article 16. Financial liability of commercial banks

Commercial banks are liable for their obligations to the full extent of their property. They are not liable for the obligations of founders and shareholders; founders and shareholders are not liable for obligations of the bank unless their charters provide otherwise.

Article 17. Shareholders of commercial banks

Juridical and private persons sharing in commercial banks with their resources are the shareholders of commercial banks.

Article 18. Procedure for creation of commercial banks

The procedure for the creation of commercial banks, requirements as to the content of documents submitted to create them, and the procedure for issuing licenses to create them are set forth by the Bank of Estonia in accordance with current legislation.

Article 19. Foreign founders and shareholders of commercial banks

The procedure for the participation of foreign founders and shareholders in the establishment and activity of commercial banks is set forth by the Bank of Estonia. In establishing this procedure, the Bank of Estonia establishes the limits of the rights of ownership of foreign founders and shareholders.

Article 20. Grounds for refusal to issue a permit to create a commercial bank

(1) The Bank of Estonia may refuse to issue a permit to create a commercial bank if the founding contract and charter are not in conformity with legislation of Estonian SSR.

(2) The decision of the Bank of Estonia refusing to issue a permit to create a bank may be contested by the founder. The dispute is referred to the courts.

Article 21. Grounds for revoking a permit

(1) The Bank of Estonia may revoke a permit for creation of a commercial bank in the following cases:

1) discovery of false information used as the basis for issuing the permit to that effect;

2) delay of commencement of activity for more than 1 year from the date when the permit was issued;

3) violation of the provisions of this law with respect to guaranteeing the bank's financial strength and protecting the interests of creditors, as envisaged by Article 28 of the present Law;

4) performance of operations exceeding the limits of the specific legal competence envisaged by the bank's charter and established by legislation of Estonian SSR;

5) deliberate submittal of false or misleading information or reports.

(2) The decision to revoke a permit may be contested in the courts.

Article 22. Reorganization and termination of the activity of the commercial bank

In addition to the cases indicated in other articles of the present Law, a commercial bank is reorganized (merged, taken over, divided up, separated, or transformed) or its activity terminated (liquidation) according to the procedure envisaged by the charter.

Title III. Regulation of Credit and Money

Article 23. Regulation of credit financing and the circulation of money

The Bank of Estonia regulates the size of the money supply in circulation by the following means:

1) by changing the amount of credits to be granted to commercial banks;

2) by purchasing and selling securities and foreign exchange;

3) by changing the levels of legal reserves which commercial banks must place in the Bank of Estonia;

4) by issuing cash;

5) by changing interest rates on its own loans;

6) and by other measures permitted by legislation.

Article 24. Settlements between banks

(1) For purposes of settlements among banks, the Bank of Estonia opens within itself current (correspondent) and other accounts of commercial banks.

(2) Commercial banks may make settlements through correspondent accounts which they open in one another or through clearinghouses (raschetnyye palaty).

Article 25. Conduct of credit and payment operations by commercial banks

Commercial banks grant credits to other banks and make payments to the credit of other banks within the limits of the balances in their current (correspondent) accounts opened in the Bank of Estonia and other banks. If there is a shortage of money in the account for the conduct of credit and payment operations, the commercial bank calls upon the credit resources of its customers and other commercial banks on a contract basis and on the resources of the Bank of Estonia according to the procedure envisaged by Article 49 of the present Law.

Article 26. Interest rates on credits of commercial banks

The interest rates on operations of commercial banks are set by the banks independently.

Article 27. Regulation of the interest rate level

The Bank of Estonia regulates the level of interest rates on the credit operations of commercial banks, using all the measures enumerated in Article 23 of the present Law.

Title IV. Guaranteeing the Financial Strength of the Bank and Protection of the Interests of Its Creditors**Article 28. Standard economic rates and allowances which may be imposed on commercial banks**

In order to guarantee the financial strength of the bank and to protect the interests of its creditors, commercial banks adhere to the following standard economic rates and allowances, which are established by the Bank of Estonia:

- 1) the minimum size of charter capital;
- 2) the maximum ratio between the bank's own resources and the sum of its assets;
- 3) the minimum ratio between the bank's liquid assets and debts;
- 4) the size of legal reserves to be placed in the Bank of Estonia in the fund for regulating the credit resources of the banking system;
- 5) the maximum level of the risk per borrower;
- 6) the standard rates of deductions from profit to be paid into the general bank fund to ensure the deposits of individuals and into its own reserve funds;

7) the maximum ratio between the shares of stock of nonbank enterprises which the commercial bank owns and the commercial bank's charter capital.

Article 29. The bank's own resources

(1) The bank's own resources are as follows:

- 1) charter capital;
- 2) reserves in accordance with Article 37 of the present Law and other funds formed from profit and maintained on the bank's balance sheet;
- 3) undistributed profit, resources obtained by virtue of gratis distribution of shares of stock among stockholders or by virtue of an increase in the size of the share;
- 4) unguaranteed debt obligations issued by the bank in an amount not exceeding half of charter capital.

(2) Charter capital is reduced by the value of the bank's own stock or contributions of shareholders acquired with a view to the maximum ratio between the bank's own resources and the sum of its assets.

Article 30. The bank's assets

(1) The bank's assets are as follows:

- 1) loans issued to juridical and private persons;
- 2) investments in securities;
- 3) investments in real estate;
- 4) other assets.

(2) When the maximum ratio is being calculated between the bank's own resources and the sum of its assets, various categories of assets and off-balance contingent obligations are taken into account on the basis of coefficients established by the Bank of Estonia.

Article 31. Off-balance contingent obligations of the bank

When the bank's own resources and the sum of its assets are being calculated, off-balance contingent (possible) obligations of the bank are also taken into account. The bank's contingent obligations are counted as assets according to the procedure defined by the Bank of Estonia.

Article 32. The minimum ratio between the bank's liquid assets and debts

(1) Liquid assets are as follows:

- 1) the bank's cash on hand;
- 2) resources due it from the Bank of Estonia;
- 3) liquid notes issued or guaranteed by Estonian SSR and by entities at least equal to it with respect to the credit

risk: states, local bodies of government, and also credit institutions of Estonian SSR and other countries subject to government control;

4) net debts of commercial banks of Estonian SSR and other states repayable in less than 90 days.

(2) In order to guarantee the bank's ability to pay, the bank's liquid assets must represent at least 10 percent of its debts; here, resources obtained from the state for earmarked use and debts to the Bank of Estonia are subtracted from debts.

(3) Revenues from commercial banks and other credit institutions more than half of whose capital belongs to the bank are not included in revenues indicated in Paragraph 1 of this article.

Article 33. The size of minimum reserves

(1) The size of minimum reserves is established in a percentage of the sum total of resources attracted by the bank or as a percentage of its growth.

(2) Banks keep the balance of resources in accounts in the Bank of Estonia.

Article 34. The maximum level of the risk per borrower

(1) The maximum level of the risk per borrower is established so as to take into account the character of the activity of borrowers and their ability to pay in the form of a certain percentage of the sum total of the bank's own resources.

(2) When the maximum risk per borrower is being calculated, the risk is interpreted to cover the sum total of investments and credit of that borrower as well as guarantees, sureties, and other obligations issued by his order.

Article 35. Deductions from profit paid into the general bank fund to ensure deposits of individuals

In order to ensure the deposits of individuals against the case of bank insolvency, before settlement with the budget, commercial banks make deductions of a portion of profit at the established rates into the general bank fund for insuring the deposits of individuals. The procedure for formation and use of the fund is established by the Bank of Estonia.

Article 36. Powers of the Bank of Estonia when commercial banks violate the established rates and allowances

(1) Upon finding that any commercial bank has violated the standard rates and allowances established in Article 28 of this Law, the Bank of Estonia sets a date for correction of the violations.

(2) In case of a systematic violation of standard rates and allowances and failure to carry out the prescriptions of

the Bank of Estonia concerning the date and conditions for bringing banking operations into conformity with the standards, so that this threatens the interests of the bank's creditors, the Bank of Estonia may raise the following issues before the bodies whose active establishment created the state bank or before the stockholders of a commercial bank:

1) the implementation of measures to restore the bank's soundness;

2) reorganization of the bank;

3) liquidation of the bank.

(3) The Bank of Estonia may invoke economic penalties against commercial banks violating the standard rates and allowances established in Article 28 of this Law.

(4) The Bank of Estonia may also revoke permission to create a commercial bank if it discovers the circumstances envisaged in this article.

Article 37. Reserves to cover possible losses

Banks create reserves from profit to cover possible losses. Reserves not related to a hopeless or dubious debt existing at the moment of their creation become part of the bank's own resources and are created from profit before settlement with the budget.

Article 38. Bank secrecy

(1) The banks of Estonia guarantee the secrecy of operations, accounts, and deposits of their customers and correspondents. All bank employees have a duty to maintain the secrecy of information concerning the economic position and commercial secrets they receive in the course of their work concerning customers and other persons.

(2) Documents concerning operations and accounts of juridical and private persons may be released as follows:

1) to the juridical and private persons themselves;

2) to the courts and arbitration bodies in the cases envisaged by law;

3) to financial authorities on matters of taxation.

(3) Documents on accounts and deposits of individuals are released, aside from the customers themselves and their representatives, to the courts and investigating authorities concerning transactions they are conducting, according to the procedure established by legislation.

(4) Documents concerning accounts and deposits are released in case of the death of their owners to the persons indicated by the owners of the account or deposit in a testamentary disposition written for the bank, to state notary offices, and also to foreign consular missions.

Article 39. Sequestration and attachment of the money resources and other valuables in a bank

(1) The money resources and other valuables of juridical and private persons which are in banks may be sequestered only by court order or decree of investigating authorities or bodies of arbitration, and they may be attached only on the basis of executive writs of courts and in the cases envisaged by legislation of Estonian SSR—on the demand of financial authorities and other organizations.

(2) The money resources and other valuables of organizations of the USSR, foreign states, and international organizations which are in banks may be sequestered or attached only on the basis of court orders or decisions of arbitration bodies in accordance with the procedure established by legislation.

(3) The money resources and other valuables of private persons which are in banks may be sequestered only on the basis of the following:

1) decrees of courts and investigating bodies concerning crimes which they are trying or investigating, and also when cases of confiscation of property are being deliberated;

2) decrees of courts trying civil cases arising out of crime (with the exception of a portion equal to threefold the average monthly wage (pension) received during the calendar year preceding sequestration), cases of forcible collection of child support (in the absence of earnings or other property which can be attached), or of division of a deposit which is the joint property of spouses.

(4) Money resources and other valuables of private persons in banks may be attached on the basis of a verdict in a criminal case or court decision in favor of the plaintiff in a criminal case arising out of a crime, a court decision or decree of a people's judge for forcible collection of child support (in the absence of wages or other property from which forcible collection may be made), or a court decision on division of a deposit which is the joint property of spouses.

(5) Money resources and other property of private persons in banks may be confiscated on the basis of a verdict that has become enforceable or a lawful decree on confiscation of property.

(6) Money resources and other valuables of juridical private persons in banks may be released from sequestration by the body which sequestered them.

Title V. Customer Service of Banks

Article 40. The contractual nature of relations between the bank and its customer

(1) Relations between banks and customers are contractual in nature.

(2) Customers independently choose the bank for purposes of credit and settlement services.

(3) Commercial banks may accept or not accept customers for credit and settlement services.

Article 41. Securing the repayment of loans

(1) Banks accept as security for prompt repayment of loans collateral, guarantees, surety, and obligations in other forms customary in banking practice.

(2) Banks may decide to extend credit without security (unsecured loan).

Article 42. Collateral

(1) Banks may accept as collateral inventories, products to be produced by the customer, securities, documents on distribution of goods, and other valuables free of liens. Goods and supplies located abroad and accepted as collateral by banks to secure credits in export-import operations must be insured at the customer's expense.

(2) Buildings, installations, equipment, and other property classified as fixed capital may be accepted as collateral if in accordance with legislation the customer is liable for all his obligations to the full extent of his property.

(3) The procedure for registering a lien is established by the Government of Estonian SSR.

(4) In case of a lengthy delinquency of more than 60 days on loans secured by inventories put up as collateral, the bank has the right, after satisfying claims for wages and payments into the budget, to apply to settlement of the debt the proceeds from sale of the property the enterprises put up as collateral.

(5) Property put up as collateral in the bank is sold according to the instructions of the bank without going through the court, arbitration commission, or arbitration court.

(6) The funds realized from sale of property placed with the bank as collateral are turned over to the bank to settle the indebtedness secured by the collateral, and in this connection the bank has priority over the claims of other juridical and private persons.

Article 43. Forms of settlement

Banks handle settlements in the forms permitted by the Bank of Estonia.

Article 44. Declaration of borrowers as uncreditworthy

Borrowers who do not discharge their obligations to promptly repay funds obtained from banks may be declared uncreditworthy by the banks, which may notify their principal creditors, the executive body of local self-government, stockholders of a joint enterprise in which organizations of Estonian SSR, the USSR, and

foreign states participate, and including publication in the press of a notice to this effect within a period of 7 days.

Article 45. Measures which may be applied to a borrower declared uncreditworthy

The following measures may be taken on the recommendation of banks against a borrower declared uncreditworthy:

- 1) transfer of operational management to an administration appointed with the help of the creditor banks;
- 2) reorganization;
- 3) liquidation and sale in accordance with legislation of property put up as collateral in the bank.

Article 46. Paid services rendered by banks

Banks render to customers and one another paid services related to the operations envisaged in Article 2 of this Law on a contractual basis.

Title VI. Foreign Economic Activity of Banks

Article 47. Monitoring the external indebtedness of banks

The Bank of Estonia monitors the indebtedness of banks to foreign creditors according to the procedure established by legislation of Estonian SSR.

Article 48. Foreign exchange holdings of banks

Banks use foreign exchange and create holdings of foreign exchange in accordance with legislation in effect.

Title VII. Relations Between Banks

Article 49. Interbank deposit and credit operations

- (1) On contractual principles, commercial banks may obtain from and lend to one another resources in the form of deposits and credits and perform other mutual operations envisaged by their charters.
- (2) In a shortage of resources for credit financing of customers and to meet the obligations they have assumed, commercial banks may apply for credits from the Bank of Estonia. The procedure for the conduct of these credit operations is defined by the Bank of Estonia.

Title VIII. Deposits of Individuals

Article 50. Deposits of individuals has credit resources of commercial banks

- (1) Commercial banks may attract money resources of individuals in order to use them as credit resources.
- (2) When banks receive deposits, they issue the depositor a document to that effect.

Article 51. Depositors

- (1) Private persons may be depositors regardless of their nationality (grazhdanstvo).
- (2) Depositors may handle their deposits, receive income on deposits in the form of interest or in some other form proposed by the banks, and make noncash transfers.
- (3) The procedure for the handling of deposits placed in commercial banks is established by their charters and contracts between the bank and the customer.

Article 52. The rights of minors pertaining to deposits

- (1) A minor may also be a depositor.
- (2) A minor who has himself placed a deposit in his own name handles that deposit independently.
- (3) Deposits which someone has made in the name of a minor are handled:
 - 1) until the minor reaches age 15—by the parents or other legal representatives of the minor;
 - 2) after the minor reaches age 15—by the minor himself, but with consent of his parents or other legal representatives.

Article 53. State guarantees of deposits of individuals

If there is a shortage of resources in the general bank fund to insure the deposits, the state guarantees preservation of deposits of individuals and pays them to depositors on demand.

Article 54. Testamentary disposition of a depositor

- (1) Depositors have the right to make testamentary disposition on release of their deposit in case of their death to another person, organization, or the state.
- (2) In the cases envisaged in Paragraph 1 of this article, the deposit does not become a part of the estate. Such deposits are released by the bank according to the procedure established by legislation of Estonian SSR.
- (3) In case of a depositor's death when the deposit is not covered by a testamentary disposition, the bank releases it to the heirs according to the procedure established by legislation of Estonian SSR.

Title IX. The Reporting of Banks

Article 55. The filing of reports and publication of annual balance sheet and profit and loss statements

- (1) Banks file reports according to the procedure established on the basis of current legislation.
- (2) Banks publish an annual balance sheet and profit and loss report in the form and by the dates established by the Bank of Estonia.

Title X. Oversight Over the Activity of Commercial Banks**Article 56. Monitoring functions of the Bank of Estonia**

(1) The Bank of Estonia monitors observance by the commercial banks of mandatory allowances established in accordance with the present Law and proper application of legislation of Estonian SSR and the normative acts issued by the Bank of Estonia.

(2) In performance of the function envisaged in Paragraph 1 of this article, the Bank of Estonia may organize a complete or sample inspection of the operations of commercial banks, which as a rule is conducted no more frequently than once a year. By decision of the Council of the Bank of Estonia, these inspections may be conducted more frequently.

(3) The activity of commercial banks is inspected by the auditing department of the Bank of Estonia or by some other auditing or examining organization by order of the Bank of Estonia.

(4) Commercial banks are required to submit to the organization conducting an audit balance sheets, plans, reports, and other documents necessary for the inspection at its request.

Bank President Otsason Interviewed

904A0142B Tallinn SOVETSKAYA ESTONIYA in Russian 12 Jan 90 p 3

[Interview with Reyn Augustovich Otsason, former deputy chairman of the ESSR Council of Ministers and current president of the newly created Bank of Estonia, by SOVETSKAYA ESTONIYA correspondent Ya. Tolstikov: "The Bank of Estonia and Domestic Currency"; date and place not given]

[Text]

[Tolstikov] The first question I would put to you, Reyn Augustovich, is what are the principal functions of the new bank, what will it mainly be concerned with?

[Otsason] The Bank of Estonia is managed by its council, which is headed by the bank's president. Our principal task is to implement the optimum credit policy and financial policy in the republic, a policy that would promote the growth of the purchasing power of the money (or at least not allow it to decrease any further) and would protect the republic's population against approaching financial crisis. The Bank of Estonia would as a rule not issue loans itself, but by means of standard economic rates and allowances it would regulate the activity of other banks located in Estonia, so that money would be granted only to those enterprises and organizations, joint stock companies, and so on, which will be able to use those funds with the greatest efficiency for the economy. It is no secret after all that up to now bank credit has been issued, but more accurately—it has sometimes simply been begged for, not for those good

purposes at all, but to extinguish debt, to patch up holes in the borrower's own financial pocket, which is wearing thin, and so on. Sometimes these pleading applicants gave not even a thought to the needs of the entire economy. As is well-known, our commodity market has been destroyed. People have more money than there are goods on which that money can be spent. Under those conditions, it is even more necessary to conduct precisely that sensible financial credit policy which would direct the actions of production people first of all toward increasing the output of goods for the public and expanding the service sector. The ultimate objective of such a policy is to do away with the budget deficit and restore the republic's economy to fundamental health.

[Tolstikov] But what kind of relations will there be between the Bank of Estonia and the Estonian Republic Bank of USSR Gosbank, with other sector banks, and also with commercial banks located in Estonian SSR?

[Otsason] A distinctive feature of the Bank of Estonia as a central banking institution is that it is subordinate only to the ESSR Supreme Soviet. Perhaps for the nonspecialist this is an insignificant detail, but for the banking business it has immense and fundamental importance. No one except the Supreme Soviet can indicate to the bank how it is to regulate credit policy. This principle will provide the best opportunity for protecting the credit system against the pressure from various departments, i.e., will protect the interests of the economy as a whole, as well as the interests of the population. The principles governing the interaction of the Bank of Estonia and the Estonian Republic Bank of USSR Gosbank are established on the basis of the ESSR Law on Banks.

[Tolstikov] It follows, then, that the Bank of Estonia may impose a ban on specific bank institutions, prohibiting them from issuing loans?

[Otsason] No, no administrative prohibitions have been envisaged. Regulation will be accomplished by economic methods—by means of appropriate standards governing the maximum amount of credit to be issued for particular purposes, the size of a given bank's charter capital and reserve capital, and so on. So that every sector bank and commercial bank will operate relatively freely within the limits of its authority, but in such a way that this freedom nevertheless does not threaten the well-being of the republic's economy and its population. On the contrary, it would serve the goals of the comprehensive development of the economy. In other words, we now have the ability to exert an influence on the republic's entire banking system. We have not had that ability previously. The Estonian Republic Bank, Promstroybank, Agroprombank, and the others were republic banks in name alone, while actually they were branches of all-union banks. They were concerned about solving their own special problems, and at the same time they were under the strong influence of their respective central financial departments, and were not concerned in the least about restoring health in a general way to

financial affairs in the republic. This is a vivid example of overcentralization, an example that provides evidence that perestroika has still not essentially affected the country's banking. It is not our desire to break up that ossified system, and to do this by means of the Bank of Estonia. At the same time, we hope that the Estonian Republic Bank of USSR Gosbank and the Bank of Estonia will collaborate closely with one another in the interests both of the republic itself and also the country as a whole. But when Estonia's own currency is adopted, the functions of USSR Gosbank will be essentially restricted in the republic. Mainly, only some small subdivision of USSR Gosbank would be retained in Estonia, if it desires to have such a subdivision, but a substantial portion of its functions would nevertheless pass over to the Bank of Estonia. The latter would also become the republic's note-issuing center. And what are now called specialized banks would in a year or 2 be transformed into commercial banking institutions, which will begin to issue their own stock, engage in all banking operations, compete with one another in issuing loans to their customers, including private individuals. A stock exchange will also be set up.

[Tolstikov] As I understand you, one of the tasks of the new banking institution would be to organize in the republic its own currency system. Quite a bit has already been said about the Estonian money—kronas and cents (senty). Explanations in this regard have been published repeatedly in the press, but still our readers and inhabitants of the republic have been asking more and more questions, which at this point I would like you to answer. For example, a question like this. When our own currency is introduced, will this not force us to adopt customs control for people entering the republic? After all, otherwise speculation could begin....

[Otsason] You have said that speculation "could begin." But it is taking place even now. And that is no secret—there are a multitude of examples of it.

[Tolstikov] But the speculation, as I see it, would become still stronger. People who have built up a large number of rubles will begin to buy Estonian kronas, and that not at the established rate of exchange, but at a far higher price, assuming, of course, there is something to buy for the Estonian money. The inflow of rubles from outside the borders of the republic, not backed up with commodities, will rise sharply.

[Otsason] That is not the case at all. I would say the reverse. It will become more difficult for the speculators to find accomplices within the republic, that is, those Estonian citizens who agree to sell their kronas, even at a speculated price. And then what are they going to do with the rubles they have been given? Later, as you have correctly noted, when he wishes to sell the rubles, he will have to put up a larger sum in rubles for a krona. This is one more obstacle in the speculator's path. So that in my view, adoption of our own money is possible even

without customs, although the exchange of rubles for kronas will still have to be limited for people coming into the republic.

[Tolstikov] Your arguments, if I might be frank, are not very convincing to me. I do not see anything reprehensible about customs per se. Although it is an additional expense, and possibly there could be resentment from a segment of the population? But let us move on to other matters. What will happen to the bonds of state loans in 1954 and subsequent years, which still have not been paid off to the public. Analogously, how will the bonds of the 3-percent loan be paid off? We paid for them in rubles....

[Otsason] That is a complicated problem. When rubles are exchanged for kronas, it is essential to close off all "black" channels for rubles to come in from outside the republic. That is one thing. Beyond that, it must be clear that unlimited exchange of rubles for kronas is absolutely impossible. A certain limit has to be set. The procedure of that exchange still has to be defined. The savings, I use the term even in this case, contained in the form of the bonds of state loans, do not really amount to all that much in relative terms. And at the same time, this is still one of the problems that will have to be solved one way or another, since the bonds are after all money. It is possible that for a few months we should allow the two currencies to circulate in the republic so as to give people an opportunity to spend the rubles they have on hand. We also should not forget that rubles will continue to circulate freely in the Russian Federation and the other republics.

[Tolstikov] But here is another question from readers' letters. It obviously comes from a retired woman: "I will have no further need for rubles, I do not intend to leave the republic, and I would like to receive all my cash payments in kronas."

[Otsason] Yes, that is another question we have to work out.

[Tolstikov] In short, as I understand it, there are quite a few things of a purely practical nature that have not been worked out. Here is another question. In addition to paper money, coins will be issued in denominations of 5, 10, and 25 cents. But will those coins work in the automatic machines we now have—pay telephones and soft drink machines? What is more, the smallest coin of 5 cents inevitably means a rise in the rate for a local telephone call, which, as you know, now costs 2 kopecks.

[Otsason] As for the automatic machines, they will obviously have to be adapted to the new coins. It would be quite expensive to mint coins of smaller denominations. And then about prices and rates. Some of them will possibly have to be raised, others lowered. This is another question we still have to work out.

[Tolstikov] In the end, there are quite a few of these questions accumulating. Then take this situation. You said in one of your press conferences that the initial rate

of exchange could be 11 rubles for 10 kronas. Does this not mean that there is a corresponding decrease, that is, by 10 percent, in the level of wages paid in kronas, and a decrease by a corresponding percentage of all prices and rates? Or are income and prices preserved in the previous nominal amounts, that is, in this case rubles and kronas would be in a ratio of one to one?

[Otsason] Quite right. Only the money that exists at the moment of exchange will be exchanged at the rate of 11 to 10, but not future wages and other income. They, just like prices, retain their previous nominal values, it is just that kronas and cents will be used instead of rubles and kopecks. As for personal income in the broader sense, it must ultimately increase. "Surplus" money which individuals now are holding will begin to be withdrawn from circulation. And the money not backed up with goods held by the republic's population amounts to more than a third of the total amount of money on hand. This will be done through a substantial increase in the sale of consumer goods, including those purchased abroad, the issuing of bonds and stocks, and so on. It is hoped that the "surplus" money will in time disappear altogether, the real value of the krona will rise against the ruble, and the standard of living of the population will begin to rise.

[Tolstikov] The effort is continuing to prepare for the issuing of money, the issuing of new paper money and coins?

[Otsason] As is well-known, 15 January of this year was the deadline for the competition to design the new bank notes and coins. After its results are determined, preparations will begin for the printing and minting of the new money—kronas and cents.

[Tolstikov] And what will this entire operation cost the republic? Can you give some figure of the printing and minting costs? Is this not too large an amount, as some economists are predicting, that is, an amount beyond Estonia's means?

[Otsason] No, it is not. The expenses amount to a relatively small sum, altogether commensurable to the republic's foreign exchange income. What is more, most of the expenditures are one-time costs.

[Tolstikov] Is Estonia's own currency something for the long term? Or is this some kind of short-term drive calculated for a limited period?

[Otsason] I think that years will be required to go back to a monetary unit common to the entire state at the union level. Although the process of integration will undoubtedly be taking place, it is in fact taking place in the countries of Western Europe.

[Tolstikov] And finally, the last question. The other day the newspaper EKONOMIKA I ZHIZN published an article on a round-table discussion devoted, it was stated, to "regional" currencies. You also took part in the discussion. Reyn Otsason, of course, as in the past, vigorously defended the advantages of our own republic

money. But his opponents—economists who hold positions at the union level—frequently objected, arguing that the "regional" currency is not only an idle enterprise, it is also harmful to the state. Have your views of the Estonian krona changed since that conversation?

[Otsason] Not in the least! My opponents were unable to supply a single solid argument to back up their judgments. So that my belief in the advisability of adopting our own republic currency has not only not weakened, it has become even stronger.

TuSSR Deputy Trade Minister Interviewed on Foreign Trade

904A0122A Ashkhabad TURKMENSKAYA ISKRA in Russian 7 Dec 89 p 4

[Interview with Chary Taganovich Kuliyeu, Turkmen SSR deputy trade minister, by M. Malkhasyan, part-time TURKMENSKAYA ISKRA correspondent; date and place not given]

[Text] The range of Turkmenistan's foreign economic ties is expanding. This is especially urgent today when the republic is preparing for the shift to regional cost accounting. There are now quite a few new foreign partners in trade. Undoubtedly, this will help to expand the variety in our market considerably.

An interview by M. Malkhasyan, our part-time correspondent, with Ch. T. Kuliyeu, deputy trade minister of the Turkmen SSR, concerned this subject.

[Malkhasyan] Chary Taganovich, the republic's Ministry of Trade established trade relations with foreign countries comparatively recently. On what is this trade being built?

[Kuliyeu] I would say on a very modern commercial basis of barter operations. In other words, we are conducting a direct exchange of goods. We sell abroad those goods that we have a sufficient amount of, and we purchase those that are in wide demand among the population. For example, the Yugoslavian firms Interek-sport and Montenegroeksport purchase cotton wadding and silk cloth from us and deliver knitted outer-wear, women's underwear, clothing, and children's and women's footwear. These are not our only trade partners. Contacts have been established with France, Cyprus, North Korea, the Chinese People's Republic, and other countries. The total of import contracts concluded for next year exceeds the export total by almost twofold.

The Polish Torimeks will deliver pastries, clothing, footwear, cosmetics, souvenirs, and office products to us in exchange for our coarse calico. The Hungarian firm Shkala KOOP has purchased several types of household items from us and will sell us fancy leather goods, knitted garments and cosmetics. We have concluded a contract with the Chinese company SUAR (in the city of Urush-chi) for the delivery of tape recorders, clothing and children's clothing. I would point out that this is the first

contact with China which we arranged jointly with the Turkmen Union of Consumers' Societies.

Our textiles have also caught the eye of the Pakistan firm Merkuriy and we will receive computers and clothing from them. France (the Rabat and K firm) is eagerly buying our sea-salt, whose export variety has now been approved. However, I think that we are making consumers happy with needed and good quality products. We receive radios from the Korean firm Ponkhva in exchange for aluminum pots.

[Malkhasyan] It is no secret that technical progress is occurring slowly in our republic's trade area. Will relations in the international market help to advance it?

[Kuliyev] Without a doubt. We are concerned not only about saturating the market but also about mechanizing the work of trade workers. A contract for the delivery of modern trade equipment has been concluded with the large Yugoslavian firm Energoprojekt. We have already received freezers for producing soft ice cream, electric grills and waffle irons from them. Representatives of the firm will soon come to us and, I think, we will find further grounds for new commercial deals.

[Malkhasyan] Chary Taganovich, you have traveled on commercial business trips to several foreign countries for discussions with your partners. Were these trips useful in a professional sense?

[Kuliyev] I will say frankly that I received a good lesson there in the art of trade. In Zagreb, Belgrad and Dubrovnik (Yugoslavia), I visited large supermarkets. These are stores where an individual can purchase everything—from food products to sewing needles. The stores in Washington, Boston, New York, and Budapest struck me with their beautiful interiors and high standards of service. The thrift, with which they regard food products abroad, is striking. They sell them in small factory-made packages that are bright and colorful. Whether you want to or not, you will buy. We must simply imitate this experience—the faster the better. However, one must admit that we are still far from achieving such results.

The fact that foreign firms are displaying great interest in establishing commercial ties with our republic made me happy. I confess that for the first time I have experienced interest for business negotiations and a desire to analyze and weigh each counter proposal. In a word, the negotiations have become a distinctive type of examination of my professional competency. Whether or not I passed it, time will tell. In any event, a trip to a foreign partner provides us with a real opportunity to monitor the balance in our domestic market, sell our surplus goods and acquire what the people in our republic need.

[Malkhasyan] What are the prospects for foreign economic commercial relations with other countries?

[Kuliyev] Perhaps the main thing is the opportunity to trade independently. Until now, you see, all export and import operations were conducted through the Sovintorg firm in the All-Union Raznoeksport Association. There were difficulties connected with the fact that the republic did not have a single center which would coordinate the work of industrial and commercial enterprises and which would take stock of goods and industrial products that are produced in the republic and that one could offer our partners. I have in mind those items that were produced above the state orders and from above-norm stocks and production wastes.

The republic has now established a republic cost accounting foreign trade association—Turkmenintorg. It will carry out export and import operations within the framework of foreign trade and organize the republic's direct ties with foreign countries. Other responsibilities of the association are the development of draft future five-year and annual plans for the export and import of goods and services, the implementation of advertising measures, participation in international fairs, and assistance in foreign tourism.

Through the mediation of Turkmenintorg, we recently signed a contract with the African Bidet Company, Limited firm for the delivery of dress material, which enjoys increased demand among our women, using barter trade.

We will also establish a new structural subunit for foreign economic work in the republic's Ministry of Trade. Its functions will be to carry out export, import and barter operations for barter and border trade.

This work, which is new to us, has not occurred without problems. We have become aware of a shortage of competent specialists in the field of international commercial relations. Today, the questions of defining contract prices are not always solved professionally. Our poor information also hampers us—we do not have detailed data on the state of the domestic market in foreign countries at our disposal. If such a bulletin were published in our republic, our businessmen could easily orient themselves with respect to price policies and understand the nature of barter deals better.

Our work in the foreign economic area still does not satisfy us for these reasons. We know that we have reserves for expanding trade but we have still not been able to use them fully. If we solve the problems, about which I talked above, we will be able to increase trade to 300 million rubles. This means saturating the market with goods and increasing revenues for the republic's budget from export and import operations.

AGRO-ECONOMICS, POLICY, ORGANIZATION

Kolkhoz Council Discusses Draft Laws

904B0121A Moscow SELSKAYA ZHIZN in Russian
20 Jan 90 p 2

[Article by Ye. Petrakov: "Proceedings in the Union Kolkhoz Council"]

[Text] The USSR draft laws on property and the unified tax system and the draft of the Bases of Land Legislation of the USSR and the Union Republics were discussed in the regular session of the Union Kolkhoz Council, which was held 17 January.

In the opinion of some of the speakers, the drafts proposed for nationwide discussion had not been sufficiently elaborated and were in need of further improvement. This view was expressed most fully by V.A. Starodubtsev, chairman of the All-Russian Kolkhoz Council and chairman of the Kolkhoz imeni Lenin in Novomoskovskiy Rayon in Tula Oblast, and Yu.A. Ereht, responsible secretary of the Estonian Kolkhoz Council. But the positions from which they criticized the drafts differed fundamentally. V.A. Starodubtsev and his supporters believe that adoption of the laws is unacceptable in their present form because they place kolkhozes in conditions unequal to those of private farms, which have advantages. Yu.A. Ereht, on the other hand, feels that at present the prerequisites do not exist for truly equal conditions precisely because the rights to carry on private economic activity have been infringed.

Anxiety that the kolkhozes might find themselves in conditions unequal to those of private farms was also expressed by V.A. Zinchenko, chairman of the Kolkhoz imeni Lenin in Zernogradskiy Rayon of Rostov Oblast. The gist of his speech was that the kolkhozes must not end up in an economic blockade. The speaker criticized the USSR Council of Ministers for adopting decrees undermining the economy of the kolkhozes. Many of the speakers alluded to the material and technical supply of kolkhozes, which they said had not only not improved recently, but had even become worse.

Ye.I. Podolyanina, chairman of the "Mir" Kolkhoz in Shargorodskiy Rayon of Vinnitsa Oblast, A.Ya. Yegoshin, chairman of the "Progress" Kolkhoz in Novotoryalskiy Rayon of Mari ASSR, N.V. Vyshvanyuk, chairman of the Kolkhoz imeni S. Melniychuk in Kolomoyskiy Rayon of Ivano-Frankovsk Oblast, and V.A. Lomaka, brigade leader of the Kolkhoz imeni Lenin in Belopolskiy Rayon in Sumy Oblast, and others also took part in discussion of the first item on the agenda.

A.F. Veprev, chairman of the Committee of the USSR Supreme Soviet for Agricultural Affairs and Food, who spoke in the session, proposed to those attending the session that they give up irreconcilable opposition to the drafts and work out compromise alternatives that would be acceptable to everyone. Ultimately that approach to

discussion of the drafts won general support. As a consequence the Union Kolkhoz Council approved the drafts of the laws on property and unified tax policy and the Bases of Land Legislation of the USSR and the Union Republics that had been published in the press for nationwide discussion. The presidium of the Union Kolkhoz Council was ordered to summarize the objections and proposals expressed in the session and to send them to the presidium of the USSR Supreme Soviet.

Then the session took up the questions of developing subsidiary industrial production operations and industrial operations on kolkhozes under the new economic conditions. One specific point that was made is that the more than 120,000 subsidiary industrial production operations operating on kolkhozes are providing employment for more than 620,000 kolkhoz members, a number that goes as high as a million in the off-season. The volume of output of subsidiary shops exceeds 8 billion rubles.

But due attention is not being paid to the development of the subsidiary production operations everywhere. They are not developing strongly in the republics of Central Asia and the Transcaucasus, nor in a number of oblasts of RSFSR. The Union Kolkhoz Council approved the constructive experience in development of subsidiary production operations on the kolkhozes of the Ukraine, Latvia, Estonia, Belorussia and a number of krays and oblasts in RSFSR and recommended this experience for broad dissemination.

The Union Kolkhoz Council also took up the problem of improving the forms of intrafarm economic relations and the application of leasing and the leasing contract on the kolkhozes of Odessa and Lipetsk Oblasts and recommended to the kolkhoz councils of union and autonomous republics, krays, oblasts and rayons that in their own practical efforts they take into account the experience of the Odessa and Lipetsk farms in restructuring mutual economic relations in agriculture that promote the development of independence and democratization in the management of social production. They also recommended more thorough study of the experience of advanced leasing collectives on all the country's farms.

The Union Kolkhoz Council approved the plan of operations for 1990.

Yu.M. Mordvintsev, first deputy chief of the Agricultural Department of the CPSU Central Committee, took part in the proceedings.

Debt Cancellation During Transition To Leasing

904B0093A Moscow TRUD in Russian 7 Dec 89 p 1

[Article by V. Golovachev: "Debts Will Be Written Off"]

[Text] The decisions, which the USSR Council of Ministers Presidium has adopted, will open up a broad pathway to progressive management methods in the agroindustrial complex.

On 5 December, the USSR Council of Ministers Presidium examined questions that have paramount importance for agriculture's development. The subject concerned the canceling of the creditor debts of enterprises and organizations in the agroindustrial complex and the improving of their financial condition. V. S. Pavlov, USSR minister of finance, told journalists about this yesterday.

The question of agroindustrial complex farm and enterprise debt is now a particularly acute one. The total amount of debt for long-term and postponed short-term credits in agriculture is 119 billion rubles. According to the estimates of experts, of these, debts totaling 73.5 billion rubles are not secured by repayment sources. Simply put, it is hopeless to recover these sums. And here, a difficult problem arises: A collective is prepared to lease an unprofitable farm but how can this be done with debts? "Hang" these billions on the leaseholders? In this case, who will lease a farm in order to subsequently work all of his life in debt? Thus, a very serious obstacle has appeared on the road to expanding leases in the agroindustrial complex.

What to do? Suggestions have been heard: Simply write off these 73.5 billion rubles and begin everything "with a clean slate." Nevertheless, this is not the very best path. You see, essentially nothing will be changed and the farms will again begin to go into debt. Again, a very heavy weight will lie on our very strained budget deficit and will probably make it worse....

The session of the USSR Council of Ministers Presidium found a different path which will permit the above-mentioned obstacle to be eliminated completely. Its essence is the following. The decision was made to cancel the debts of farms when they shift to a lease. Let us emphasize: only when shifting to a lease. A number of necessary conditions were stipulated for doing this. First, cancellation takes place if the lease contract is concluded for a period of not less than five years. In the event that the contract is annulled earlier, the debts are restored in the full amount and it will also be necessary to pay interest.

Furthermore, only that debt, which the government has given permission to be deferred, is subject to cancellation. You see, farms perform operational financial activity. A bank can permit the deferment of payments for various reasons. Such operational debts (and the total of them varies from 1.5 to 5 billion rubles) are not subject to a write-off.

The question arises: What if the entire farm does not shift to a lease but only certain of its subunits? Then, the debt is cancelled proportionally—in accordance with the percentage of the gross output that the agricultural subunit, which has shifted to a lease, produces. This procedure is also being disseminated to enterprises engaged in the primary processing of agricultural products. Here, the cost of commodities to be marketed and

services is included in the calculations. When an entire enterprise or farm shifts to a lease, the debts are completely cancelled.

This procedure for canceling debts was extended on 1 November of this year to the independent farms that have become subsidiary ones for enterprises and organizations.

Of course, it is very important that there be no fraud—you see, the temptation to cancel a debt under the appearance of a lease is very great. That is why special commissions, which consist of the directors of financial and banking agencies and agroindustrial formations, have been established in the local areas and rayons. They will determine whether a farm has debts which are subject to cancellation, what period the lease contract has been concluded for, whether it has been registered, etc. This will be like a filter which must determine whether it is a true lease or a "fake."

The commission will submit its views to the ispolkom of the rayon soviet of people's deputies which, in turn, having made a decision, will submit it to the ispolkom of the oblast soviet for approval....

There is another important item. Debts will be canceled not only for those who intend to shift to a lease but also for those who previously became leaseholders. Indeed, it would not be right to place the pioneers in an unequal and unfavorable position.

The session of the Council of Ministers Presidium separately examined the question of the debts of a number of kolkhozes and sovkhozes in the Ukraine, Belorussia and that portion of RSFSR oblasts, which fell within the zone of the Chernobyl catastrophe's effects, that is, the subject concerned those lands which cannot be worked in the future. That is why it was decided to simply cancel all these debts without any conditions.

The procedure for canceling creditor debts of agroindustrial complex enterprises and organizations will be published in the very near future and it will go into effect immediately. But where will all these debts spend the day? They will be listed in the state's debt whose total amount will, of course, grow. According to the estimates of experts, the proposed amount of the write-offs can reach 23 billion rubles during this and next year.

One cannot fail to mention another important decision: The limits for kolkhoz and sovkhoz short-term credits have been increased to 12 billion rubles. Is this a lot or a little? Judge for yourselves: Today, 41 billion rubles are credits for weak farms and 29 billion are credits that have been given to strong farms. An additional 12 billion will be taken from the asset balances of industrial and other enterprises and organizations that are without work and they will be placed in banks, that is, the money will begin to "work" and will be invested not in "projects of the century" but will go to the most urgent needs in

agriculture. Without a doubt, the adopted measures will open up a route to leasing in agriculture. They were aimed at this.

Supreme Soviet Discussions of Land Law, Ownership

904B0066A Moscow TRUD in Russian 22 Nov 89 p 1

[Article by Yu. Popov: "Whose Property Is The Land?"]

[Text] Last week the USSR Supreme Soviet examined the law on ownership, which is a key issue for the social and economic development of our society. The question was not only debated during the session's plenary conference, which was devoted to a review of the final draft of the law, but also during a discussion of the date and agenda of the country's Second Congress of People's Deputies, as well as during the conferences of committees and commissions which are preparing the drafts of economic statutes to be included in a single package.

And now the draft of the law on ownership, which represents the collective wisdom of our parliamentarians, has been published for nationwide debate. Yesterday, two more draft laws were published which were proposed by the USSR Supreme Soviet Ecology and Rational Use of Natural Resources Committee and the Presidium of the Lithuanian SSR Supreme Soviet. Also published were proposals from a group of deputies from autonomous republics, oblasts and okrugs. The editorial staff feels that our readers will participate in these discussions with considerable interest.

"Just a few months ago I couldn't imagine that it would be possible to discuss openly whether or not private ownership in our country will be permitted," A. Arslonov, member of the USSR Supreme Soviet and foreman at the XXII Party Congress collective farm in the Papskiy rayon of the Namanganskaya oblast, told me. "And now people are talking about that openly and honestly. It's my conviction that an individual family should be able to own and make use of the land, but they shouldn't be able to sell it. The land, our provider, is the property of the nation or of the population that lives on it. As several deputies suggested, it's the property of the people who live in one area, no matter what nationality they are."

Aliyer and I have known each other for a number of years. He's from the same region of Uzbekistan where the ill-fated Odilov patrimonial state farm was located. In those days and recently as well Arslonov showed himself to be not only an able cotton grower but also an independent individual. For example, several years ago he refused to head up the oblast's movement of labor brigades working on economic accountability principles because he didn't see that they made sense under existing conditions of widespread fraudulent bookkeeping and arbitrary determination of fiber quality. He himself witnessed how some of the provincial leaders of that time blackened the reputation of the foreman after that.

"Right now the situation is changing in favor of economic methods which the new laws will undoubtedly promote," he says. "But it would be unforgivable to rush during their elaboration, destroying economic foundations even if we are pursuing what appear to be the obvious advantages of concepts which are so new to everyone, like leases and the family farm. In our collective farm we still work on the principle of the brigade contract, although many people around here are starting with the family contract. But we made some calculations and realized that if we divide the land up among families, it turns out that about a third of the collective farm workers will end up without land and will be unemployed. Apparently, it wouldn't be fair to undertake a redistribution of land before we finish processing our agricultural produce, not only fruits and vegetables, but also the products which are mostly shipped beyond the republic's borders such as cotton, wool and silk cocoons. And if we legalize private ownership, can you imagine who will get their hands on the land here...?"

Obviously, his thoughts emanate from the situation in heavily populated Uzbekistan. Other deputies, especially those representing Nechernozemye, came out in favor of an immediate distribution of land to the peasants and farmers. But there can only be one law.

It was not by accident that we began talking about land. After all, it was this problem which ended up at the center of the debate about the draft law on ownership. Every speaker touched upon it in some way or another. The rest of the statutes did not cause serious arguments. An in-depth treatment of the subject in the deputies' committees and commissions, the discussion during the first reading of the draft and consulting with economists, lawyers and sociologists permitted a rather fine tuning of the majority of statutes.

As S. Alekseyev, chairman of the Legislation, Legality, and Law and Order Committee, noted in a report about the draft, the exchange of opinions provided the opportunity not only to maintain all the positive elements in the draft but also to enrich it with a whole group of relevant statutes.

It was proposed to recognize the right to intellectual property once it is regulated by special legislation. As was overheard in one of the conversations here in the Kremlin, "the gray matter of an engineer's mind is also worth something." The exclusive right of the citizen to make use of his abilities for productive and creative endeavors and the opportunity to carry them out independently or by entering voluntarily into an employee relationship was affirmed, something which signifies the freedom of the individual to work as he sees fit. According to the draft, the content and value of citizens' property are not limited as long as it was acquired legally through work-derived income and savings. Potential appeals to dispossess the kulaks and arguments whether or not there can be millionaires in our country will be deprived of any legal basis. The right to dispose of state

property was accorded to the Councils of People's Deputies, which should put an end to property ownership by government agencies. A 35th and final article has been proposed which guarantees stability in ownership relations, including the right to sue the state.

None of these positions faced any objections. But the question about land brought forth contradictory ideas about the very concept of "ownership" as it pertains to Nature's greatest gift. The triad of "ownership - utilization - disposal," which by now is common knowledge not only among lawyers, was dissected with surgical decisiveness and each concept was examined separately; first from the point of view of individual interests, then from the viewpoint of the interests of the collective, the state as a whole, the union republics and autonomous entities. And each identified, what in its opinion, was the only possible definition.

The range, or, more precisely, the full circle of opinions ran from the recognition of private ownership to the demand that natural resources be declared the exclusive property of the union republics. Doubt was cast on the workable, from the point of view of many, definition of "property" which makes land ownership available to the entire nation or, as was suggested, the entire population. We give due credit to the mutual respect which the deputies showed each other. Matters never reached the level of demands in ultimatum form. The decision to present the draft to a public review, leaving certain controversial elements unresolved (or as they say now, those points on which a consensus was not reached), was made by a clear majority.

The discussion continued later at a session of the Agrarian and Food Committee, which for several weeks had been working on a draft of the legislative foundations of the USSR and the union republics regarding land ownership. Last Thursday there was near agreement on every point by the proponents of two draft variations represented by the working group from the USSR Council of Ministers and the VASKhNIL [Lenin All-Union Academy of Agricultural Sciences]. Common ground was found on the majority of issues and they even voted in favor of a measure which gives the local Soviets, not the farm managers, the exclusive right to dispose of land. Both peasants and, legally speaking, other institutions such as collective and state farms will be able to obtain land with certain limitations on ownership rights. They will own and utilize the land but will not have the right to buy and sell, give as a gift, arbitrarily trade or rent out land. And this is where the expert scientists and representatives of a number of central agencies, who were invited to the conference, again expressed doubt regarding this interpretation of land ownership which departs from the state's undivided authority over the land that we are accustomed to, but that does not arrive at such an unequivocal individual or collective authority over the land. Once again it was decided to continue the work, having relegated it to a specially organized group of deputies and specialists.

The search for formulations of laws which determine the direction of a fundamental restructuring of economic relationships is continuing. One could say that the draft of legislative foundations of the USSR and union republics regarding leases and rental relationships has been erected on the finish line. Finally, at the joint session of committee and commission representatives the draft was approved for submission to the Supreme Soviet. The mood of the deputies who participated in its preparation reflects the fact that this is the first of the basic economic laws which could be ratified by the current session. And beginning with the new year the law will begin to work on perestroika and on reviving the economy in the industrial and agricultural sectors and in all spheres of the national economy.

REGIONAL DEVELOPMENT

Estonian Law on Peasant Farming Published

904B0123A Tallinn SOVETSKAYA ESTONIYA
in Russian 22 Dec 89 pp 2-3

[Law adopted by the ESSR Supreme Soviet in Tallinn on 6 December 1989, signed by A. Ryuytel, presidium chairman, and A. Almann, presidium secretary]

[Text] One of the pathways of the republic's transition to cost accounting (khozyaystvennyy raschet) in agriculture, together and on equal principles with diverse forms of large-scale production, is the restoration of old and creation of new peasant farms (khutory), which historically have been carriers of our national culture and production know-how, affording the possibility of developing economic initiative and independence. In the context of economic competition, this affords the possibility of seeking out more suitable forms of agricultural production.

The present Law gives the farmer the opportunity to make the choice himself as to the economic relations in which he wishes to take part, it creates the prerequisites and possibilities for creating peasant farms, guarantees them economic and legal independence and protection of their property, and it guarantees the family on the peasant farm social justice and equality with other population groups.

Title I. General Provisions

Article 1. Aims of the ESSR Law on the Peasant Farm:

- (1) The ESSR Law on the Peasant Farm regulates the social relations arising in connection with creation of peasant farms and their activity and establishes legal guarantees of the peasant farm and its development.
- (2) These relations are regulated by the ESSR Constitution, the present Law, and other normative acts.
- (3) The present Law does not extend to forms of land use and agricultural enterprise of individuals.

Article 2. Definition of the peasant farm:

(1) The peasant farm is a form of agricultural enterprise which is based on land supplied by the state or obtained on the basis of a lease and on means of production belonging to the peasant family or obtained under the lease, whose basic objective is agricultural production for the market and the shaping of rural life in keeping with Estonian traditions, and which is registered as a peasant farm with the local body of self-government.

(2) Should any of the criteria enumerated above not be met, the farming question is not a peasant farm in the context of this law.

(3) The peasant farm is on a par in its rights and legal interests with other forms of agricultural enterprise.

Article 3. Definition of the family on the peasant farm (khutorskoye semeystvo):

(1) The family on the peasant farm is a family-work association which includes members who are both related and not related, but who work together on the peasant farm.

(2) The members of the family on the peasant farm do not include individuals who work on the peasant farm under an employment contract, including relatives with whom an employment contract has been concluded.

Article 4. Definition of the proprietor (vladelets) of the peasant farm:

(1) The proprietor of the peasant farm is a member of the family on the peasant farm for whom the peasant farm is his principal place of work, in whose name the documents on land use have been made out, who organizes the operation of his farm, who supervises operations on the farm, and who represents the peasant farm in relations with the state and other persons. A certificate of peasant farm proprietor is issued to the proprietor of the peasant farm.

(2) The proprietor of a peasant farm may be any competent citizen of Estonian SSR at least 21 years of age who has the necessary vocational training and experience and for whom work on the peasant farm has not been contraindicated.

(3) The requirements which must be met by proprietors of a peasant farm and the procedure for their certification are established by the ESSR Ministry of Agriculture jointly with the Estonian Central Farmers Alliance, which also organizes the vocational training of proprietors of peasant farms and other members of families on peasant farms.

(4) In case of illness, disability, or extended absence, the proprietor of the peasant farm may authorize one of the members of the family or an outside person to perform his rights and duties.

(5) The proprietor of the peasant farm is not called up for military musters.

Article 5. Types of peasant farms:

(1) The peasant farm may be either hereditary or leased.

(2) The hereditary peasant farm is based on land passed to the peasant farm for perpetual use. The hereditary peasant farm is either reestablished on the basis of a former peasant farm or created as a new farm.

(3) The leased peasant farm is based on land granted on the basis of a lease concluded with state or cooperative organizations or the bodies of local self-government, and on its own or leased means of production. The leased peasant farm may be transformed into a hereditary peasant farm.

(4) The title of exemplary peasant farm may be awarded to a peasant farm which has achieved a high standard of work and outstanding accomplishments. The exemplary peasant farm is entitled to receive additional aid and benefits from the state. The procedure for awarding the title of exemplary peasant farm and the status of the exemplary peasant farm are established by the ESSR Ministry of Agriculture jointly with the Central Farmers Alliance of Estonia.

Title II. Creation of Peasant Farms, the Granting of Land, and Land Use**Article 6. The right to create a peasant farm:**

Any citizen of Estonian SSR who meets the requirements to qualify as a proprietor of a peasant farm (Article 4 of this law) has the right to establish a peasant farm (reestablish a former peasant farm or establish a new peasant farm) and to obtain land for it.

Article 7. Aid extended by the state in the creation of peasant farms:

(1) Money is appropriated annually (beginning in 1990 and until at least 1994) from republic and local budgets to create peasant farms. Amounts are allocated annually (beginning in 1990 and until at least 1994) from centrally distributed funds to the ESSR Ministry of Agriculture for the creation of peasant farms; the ministry distributes these amounts jointly with the Central Farmers Alliance of Estonia. The appropriation of all these funds is made public.

(2) When peasant farms are being reestablished or new peasant farms are being established, the operations of preparation, leveling, and reclamation of the land, the design and construction of roads and power and communication lines, and installation of telephones out of turn are done at state expense. The performance and financing of these operations is organized by the ESSR Ministry of Agriculture.

(3) The proprietor of the peasant farm is entitled to enjoy the services of all social welfare facilities on general grounds.

Article 8. Reestablishment of a peasant farm:

(1) When a peasant farm is being reestablished, the previous owner as of 23 July 1940 or his legal heirs have the prior right to it, and among them those who possess the structures of the former peasant farm have the prior right. If the structures have not been preserved, those who live on the territory of the present land user and are in employment relations with the present land user, and then other persons working in agriculture. Those rehabilitated persons or their heirs whose right of ownership to those former structures on the peasant farm has been restored through the proceedings envisaged by law have that same prior right to reestablishment of a peasant farm.

(2) This prior right does not extend to the proprietor or his heirs if their former structures on the peasant farm have lawfully passed to a new proprietor, if the rehabilitated person or his heirs waived the right to request return of the structures, or if their return was refused on a legal basis. In that case, the person who owns the structure or the titular owner has the prior right to reestablishment of the peasant farm. The prior right arising out of this article is valid for 2 years beginning when this law takes effect. The right to use land allotted to peasant farms created before this law takes effect is not subject to change.

(3) If there are no persons enjoying the prior right, or if they have waived their prior right to reestablish the peasant farm, or if they do not exercise that right within the period prescribed, the land of the former peasant farm may be transferred for establishment of a peasant farm on the basis of Article 9 of this Law.

(4) When a peasant farm is being reestablished, the right is granted to obtain the land on which the peasant farm was formerly located or on land adjoining it, but not to exceed the allowance given in Article 11 of the present Law. If the peasant farm cannot be reestablished because it is not possible to allocate the former land of the peasant farm to persons who enjoyed prior right to establishment of the peasant farm, the right is granted to obtain land on the property of that same land user according to the order of priority set forth in Article 9 of this Law.

Article 9. Creation of a new peasant farm:

(1) The following have the right to create a new peasant farm:

1) kolkhoz members and sovkhoz workers who have a dwelling or personal subsidiary farming operation have the right to apply to create a peasant farm on land bordering their homestead plot;

2) persons who have the right to reestablish a peasant farm under Article 8, Subparagraph 4, of the present Law, as well as rehabilitated persons or their heirs who did not have the opportunity to get back their former structures on the peasant farm and thereby to apply to

reestablish the peasant farm on the land of the present land user have the right to apply for establishment of a peasant farm on the land of any other land user;

3) former owners of a peasant farm or their heirs whose farm structures have passed lawfully to another owner;

4) kolkhoz members and sovkhoz workers who have neither structures nor personal subsidiary farming operations;

5) persons who are not in employment relations with kolkhozes and sovkhozes.

(2) The order of priority given above is taken into account in order to guarantee social justice and the viability of the peasant farms when new peasant farms are established.

Article 10. The application to create a peasant farm:

(1) The application to reestablish a peasant farm or to create a new peasant farm should be submitted to the body of local self-government which has the authority to allocate land. The application should indicate the location and size of the plot of land desired, the area of forest, and bodies of water and should set forth a brief program for operating the peasant farm and the makeup of the family to be created on the peasant farm.

(2) The decision to allocate land to establish a peasant farm is made by the body of local self-government within a period of 6 months from the date when the application is submitted. The decision on reestablishment of hereditary peasant farms and allocation of land to new peasant farms from the stock of peasant farm land is made by the body of local self-government, which also obtains the point of view of the present land user. If the applicant is refused an allocation of land, or if his application is not granted in all respects, or if the present land user does not concur in the decision made, the applicant or the present land user may appeal to the superior body of self-government, whose decision is final. In other cases, consent of the work collective or assembly of authorized agents of the present land users is required for allocation of land.

(3) The actual right to use the land and the peasant farm come into being at the moment when it is duly registered with the body of local self-government.

(4) Legislation on land management and the legislative acts of the bodies of local self-government provide for the process of land management and the structure and power of the relevant bodies.

Article 11. Allocation of land to the peasant farm:

(1) Land, forests, bodies of water, and common minerals of local importance are turned over to the proprietor of the peasant farm without payment for perpetual use and with the right to bequeath it to his heirs by decision of the body of local self-government on the basis of a document of the state granting the right of perpetual use

of the land. If the recipient of the document is the former owner of the peasant farm or his heir, the document indicates the area and composition of the land of the former peasant farm. Only the ESSR Supreme Soviet is entitled to establish compensation for improved and drained cultivated land.

(2) When land is being allocated to the peasant farm, consideration is given to the desire of the applicant, the direction and plans for operating the peasant farm, the advisability of systematization of the land, and in a case when a peasant farm is being reestablished, the area of the land and the location of the former peasant farm. Land must be allocated to the peasant farm in strict conformity with the requirements of land management. It is not permitted to form plots of land which cannot be used, to fragmentize the use of the land, or to create obstacles to other land users. Land may also be allocated to peasant farms in separate parcels.

(3) The maximum landholding of the peasant farm is 50 hectares of arable land. Depending on the program for operating the peasant farm, the area of the farm's land may in exceptional cases be larger. The land occupied by structures and the farmyard is included in the total area of the peasant farm's holding.

(4) If in a case of reestablishment of a peasant farm, land is returned to it which previously was arable, but is now grown up in woods or has in some other way come to be unfit for use, it is cultivated for a period of 3 years by reclamation authorities at state expense.

(5) If a farm's crops are on land being assigned to a peasant farm, the decision to allocate land may postpone the date for transfer of the right to use the land until completion of the harvest of the current year's crop. If land is being transferred to a peasant farm together with the crops, the crop belongs to the peasant farm, and the value of the crop is reimbursed to the former land user after deduction of payment for work to care for the crop and to harvest the crop in a case when these operations are performed by the family on the peasant farm. If on the land allocated to the peasant farm there remain buildings and installations belonging to the farm which cannot be moved to another place, the user of the land reimburses their owner the actual value unless the parties agree otherwise.

(6) The proprietor of the peasant farm is accountable as envisaged by legislation for use and preservation of the land, forests, water, and minerals granted him and is liable for violations of the requirements of natural conservation and the failure to take appropriate steps.

Article 12. Use of the land of the peasant farm:

(1) The particular method of using the land allocated to the peasant farm is chosen independently by the proprietor, but he has an obligation to use the land optimally, in accordance with agrotechnical requirements, to produce farm products for the market with the objective of

developing a custodial cultivation of the land and creation of a healthier environment for the life of Estonia's inhabitants.

(2) The area of the landholding of a peasant farm may be changed and one peasant farm divided into more than one only through the procedure envisaged by Article 13 of the present Law.

Article 13. Changing the size of the landholding of the peasant farm:

(1) The proprietor of a peasant farm may apply for an increase in the landholding of the peasant farm through the same procedure as envisaged for allocation of land for the peasant farm, except that the order of priority as set forth in Articles 8 and 9 of this Law no longer applies. Through the same procedure, the proprietor of the peasant farm may also apply for a reduction of the size of the landholding of the peasant farm or the division of one peasant farm into more than one, but he does not have the right to give up the land and its use until a favorable decision is taken. In case of a refusal to reduce the size of the landholding of a peasant farm, the proprietor of the peasant farm has a duty to continue to use the land to the full extent. A reduction in the size of the landholding of a peasant farm requires the consent of the adult competent members of the family on the peasant farm. Disputes among members of the family on the peasant farm are decided through judicial proceedings involving the body of local self-government which has the power to allocate land.

(2) Should the landholding of the peasant farm be reduced in the public interest (construction of roads, the laying of pipelines, and so on), a plot of land of the same size or of the same value should be granted in its place. If replacement of the plot of land is impossible, the expenses related to reorganizing the peasant farm are reimbursed.

Article 14. The secondary use of peasant farm land:

(1) The gathering of berries, mushrooms, medicinal herbs, technical raw materials (willow bark, rosin, and so on), withes for weaving, twigs for brooms and wreaths on the land of the peasant farm and in the forest of the peasant farm require the consent of the peasant farm's proprietor.

(2) Passage across the land of a peasant farm, boating and swimming in the bodies of water of a peasant farm are open to all unless this is harmful to the peasant farm, and unless it disturbs the family on the peasant farm. Setting up a tent and living in it, building a bonfire, driving a mechanical vehicle, and catching fish and crayfish are permitted only with consent of the peasant farm's proprietor. The Law on Land Management provides for the rights of other land users on that land.

(3) Members of the family on the peasant farm may hunt on the land of the peasant farm on general grounds if

they are members of a hunters' organization. The conditions for hunting on the land of a peasant farm are established in a contract concluded between the hunters' organization and the peasant farm proprietor.

(4) The proprietor of the peasant farm has the right to use the bodies of water located within the limits of the landholding of the peasant farm or bordering it. The procedure for the maintenance and economic use of bodies of water is established by a contract concluded between the proprietor of the peasant farm and the rayon natural conservation agency. If the proprietor of the peasant farm waives the use of the body of water, the local natural conservation agency may conclude a contract with any other user. If the body of water is encompassed by the landholdings of the peasant farm, consent of the proprietor of the peasant farm is required for conclusion of the contract.

(5) The proprietor of the peasant farm has the right to use local minerals (sand, gravel, clay, limestone, peat, etc.) for the needs of the peasant farm. A license to extract and sell minerals or to produce products for sale is issued by the body of local self-government with consent of the rayon natural conservation agency.

(6) The procedure for use of forest land allocated to the peasant farm is established in forestry legislation.

Article 15. Cessation of the right of land use of a proprietor of a peasant farm:

(1) The right of land use ceases when the proprietor of the peasant farm conveys it:

1) when the structures of the peasant farm are sold, given away, or exchanged, provided the hereditary right of land use passes to the new owner; the former owner has the right to obtain from the new owner the costs of improvement of the land made at his expense;

2) when the right to operate the peasant farm passes to one of the members of the family on the peasant farm or a person who is not a member of the family on the peasant farm; in both cases, the issuance of a new state document on perpetual use of the land is a condition for conveyance of the right of use of the land to the new owner, and in the latter case he must also become a member of the family on the peasant farm;

3) if the right of land use is renounced in view of a refusal to operate the peasant farm by the proprietor of the peasant farm and other members of the family on the peasant farm; the issue of further use of the land is decided by the body of local self-government.

(2) The right of land use ceases in case of the death of the proprietor of the peasant farm and passes by inheritance in accordance with Article 35 of the present Law.

(3) In the cases given in Paragraph 1, Subparagraphs 1 and 2, of this article, the new owner must meet the requirements set forth in Article 4 of the present Law and actually begin operation of the peasant farm.

Article 16. Termination of the right of land use of the proprietor of a peasant farm:

(1) The right of land use of the proprietor of a peasant farm terminates on the basis of a decision of the body of local self-government:

1) if the land has not been used for its purpose for 2 years, and also in case of repeated violation of the rules of land use and the rules of environmental protection;

2) in a case when the proprietor of the peasant farm has been sentenced to imprisonment for a term of more than 1 year for committing a crime, unless Article 4, Paragraph 4, of the present Law can be applied;

3) if the proprietor of the peasant farm is convicted of a crime or a repeated administrative violation against the person or property of members of the family on the peasant farm or individuals working on the peasant farm under an employment contract;

4) in a case when the proprietor of the peasant farm is declared incompetent or in a case when his competence is limited;

5) in a case of sale of all the property of the family on the peasant farm to meet debts or other claims satisfied by court order (in a case of bankruptcy);

6) in a case when the land is confiscated for needs of the state or public needs.

(2) Other grounds for terminating the right of land use of the proprietor of the peasant farm may be set forth only in laws of Estonian SSR. Disputes related to termination of the right of land use are settled in the courts.

(3) Termination of the right of land use of the proprietor of a peasant farm need not result in termination of the right to operate the peasant farm by the family of the peasant farm, except in the cases envisaged in Paragraph 1, Subparagraphs 1 and 5, of this article. The family on the peasant farm continues to operate the peasant farm if one of its members (either already a member of it or a new member) applies for and obtains the right to use the land or if Article 4, Paragraph 4, of the present Law applies. Otherwise, the question of further use of the land is decided by the body of local self-government.

Article 17. Separation of a share from the property of kolkhozes and sovkhozes:

(1) For the purpose of creating the material conditions for the proprietor of the peasant farm and other members of the family on the peasant farm to operate the peasant farm, the necessary means of production are allocated on the principle of shares from the physical property of the kolkhoz or sovkhoz. When the size of this share is being determined, the composition and value of property socialized at the moment when kolkhozes were created and the person's work on the kolkhoz or sovkhoz should be taken into account.

(2) When means of production are being released in the form of a share, the following order of priority should be followed:

1) pensioners of the kolkhoz whose property was socialized when the kolkhoz was created;

2) pensioners of the sovkhoz whose socialized property passed to the sovkhoz when the kolkhoz was reorganized;

3) the people who previously worked on the kolkhoz or sovkhoz whose property was socialized when the kolkhoz was created;

4) the heirs of the persons indicated in Paragraph 2, Subparagraphs 1, 2, and 3, of this article, working on the kolkhoz or sovkhoz;

5) the heirs of the persons indicated in Paragraph 2, Subparagraphs 1, 2, and 3, of this article, not working on the kolkhoz or sovkhoz;

6) kolkhoz members and sovkhoz workers whose own property and whose parents' property was not socialized.

(3) The share in kind is allocated to them only in the case that they have actually begun to operate a peasant farm, and they have the right to use that share only to operate a peasant farm. A condition for allocation of the share is that corresponding shares are calculated on the same basis for the other kolkhoz members and sovkhoz workers as well who do not wish to establish a peasant farm, and who as owners of the share will obtain profit corresponding to their share. They are entitled to demand that their share be allocated in kind only if they are creating a peasant farm. Any member of the family on a peasant farm may refuse to take all or part of his share in kind, and it may be used to repay loans taken to operate the peasant farm. He has the right to obtain a portion of the profit on the basis of the share he did not take. The right to receive in kind a share that has not been taken is preserved over the entire period the peasant farm is operated. The basis of computation, the size of the share, and its physical composition are established by the general assembly of members of the kolkhoz or the assembly of sovkhoz workers.

Article 18. Construction of peasant farms financed by the state or with other resources:

(1) A peasant farm may be built (allocation of the land, regularization and reclamation of the land, construction of buildings, acquisition of implements, and so on) with resources from the state budget, resources of farms, and other resources, and it may be sold to establish a hereditary peasant farm or leased.

(2) The procedure for construction of peasant farms financed by the state and the procedure of their sale and leasing are set forth by the ESSR Ministry of Agriculture.

Article 19. Particular features of creating a leased peasant farm. The leasing of land:

(1) A lease concluded between a state or cooperative enterprise or body of local self-government and the person desiring to obtain a peasant farm, which sets forth the mutual rights and duties of the parties and other legal conditions of the agreement, is the basis for creating a leased peasant farm. The land is turned over for use for a specified term and under the conditions stated in the lease. In addition to leasing of the land, structures, agricultural equipment, and other property necessary to operate a peasant farm may also be leased (Article 23 of the present Law). The products produced by the leased peasant farm and the income obtained from it are the property of the lessee.

(2) The present Law and also legislation regulating leasing relations should be the point of departure in creating a leased peasant farm and in its subsequent activity.

Title III. The Property of the Family on the Peasant Farm

Article 20. Composition of the property of the family on the peasant farm:

(1) The property of the family on the peasant farm consists of the structures, tractors, trucks, and automobiles, combines, and other agricultural equipment, livestock, crops sown and planted, fertilizer, agricultural products, household goods, the money of the peasant farm, and other property necessary to its operation.

(2) The source of the property which the family on the peasant farm acquires is its joint labor and the economic activity of the members of the family on the peasant farm, property which the members of the family on the peasant farm or other individuals convey to the family on the peasant farm, proceeds from transactions, a share conveyed in the form of property by a kolkhoz or sovkhoz, property restored as a consequence of rehabilitation, and other revenues and income.

(3) The property of the family on the peasant farm enjoys the same protection of the state as other forms of property. The property of the family on the peasant farm may be confiscated only through the proceedings envisaged by law on the basis of a court order.

Article 21. The possession, use, and disposition of the property of the family on a peasant farm:

(1) The owner of the property of the family on a peasant farm is the family on the peasant farm as a whole. The members of the family on the peasant farm possess, use, and dispose of the property of the family on the peasant farm by joint understanding.

(2) Members of the family on a peasant farm who are creating a new peasant farm are entitled to obtain a share in kind of the property of the family on the peasant farm

when they leave the family with the consent of all the adult and competent members of the family on the peasant farm.(3) When the member of the family on a peasant farm leaves the family, he is entitled to money compensation. The amount of the money compensation to be paid to the member of the family on a peasant farm is determined as a function of the contribution he has made by his work to augmentation of the property of the peasant farm and also according to what the member of the family transferred in kind to the property of the peasant farm. The compensation is paid by agreement, but no later than 5 years from the date when the member of the family on the peasant farm withdrew from the family. The payment of compensation when a member of the family on the peasant farm does not leave the family can occur only with consent of all adult and competent members of the family on the peasant farm.

(4) The possession, use, and disposition of property and also property relations among the members of the family on a peasant farm are regulated not only by this Law, but also by civil legislation. The legal treatment of the common property of spouses does not extend to the property of the family on a peasant farm.

(5) Property disputes between members of the family on a peasant farm are settled in the courts.

Article 22. Transactions involving the property of the family on a peasant farm. Liability of the family on a peasant farm:

(1) Transactions involving the property of the family on a peasant farm are conducted in the interests of operating the peasant farm by the proprietor of the peasant farm or member of the family on the peasant farm he has authorized or some other person authorized by the proprietor of the peasant farm.

(2) The family on the peasant farm is liable to the full extent of its property for transactions made by the proprietor of the peasant farm unless it is clear from the circumstances of the transaction that the transaction was made in the personal interests of the proprietor.

(3) A suit to recover damage caused by the crime of a member of a family on a peasant farm may be filed against the property of the family if it is established that this property was acquired or augmented by virtue of resources obtained by criminal means.

(4) A list of the property of the family on the peasant farm which may not be the object of a suit to settle the claims of creditors is established by civil procedural legislation.

Article 23. The leasing of property by the peasant farm:

(1) The peasant farm may lease the means of production and other property required to operate the peasant farm either from organizations or from individuals. The lease may provide that at the end of the term the leased property will pass to the ownership of the lessee provided the rent paid or other payments completely cover the value of that

property. Both hereditary and leased peasant farms may be lessees with respect to this property.

(2) When a peasant farm leases property, guidance should be taken not only from the present Law, but also from the legislation regulating leasing relations.

Article 24. Insurance on the property of the family on the peasant farm:

In addition to the mandatory insurance on the property of the family on the peasant farm, the proprietor of the peasant farm may insure the property of the farm on a voluntary basis.

Title IV. Economic Activity of the Peasant Farm

Article 25. Principles governing the economic activity of the peasant farm:

(1) The peasant farm is independent in its economic activity, which is managed by the proprietor of the peasant farm. The proprietor of the peasant farm himself defines the directions of its activity, the volume and structure of production, and the methods of selling the product, and he decides all other matters related to operating the peasant farm. Agricultural production for the market conducted by the peasant farm is based on the principle of self-support—production costs are covered out of the profit obtained.

(2) The family on the peasant farm may without a special license engage in lawful agricultural subsidiary production and processing of agricultural products.

(3) Business relations with organizations, other peasant farms, and individuals are based on contracts.

(4) Peasant farms develop foreign economic activity on equal principles with other forms of enterprises in accordance with the procedure envisaged by law.

Article 26. Labor on the peasant farm:

(1) Work on the peasant farm is mainly done by members of the family on the peasant farm. The proprietor of the peasant farm has the right to conclude employment contracts with individuals, including members of his own family, and also work contracts with individuals and organizations, for seasonal work and in other necessary cases.

The employment contract establishes the length of the workday, days off, annual paid vacation, the forms of remuneration and the level of wages, meals, and other matters pertaining to everyday life. The minimum level of wages and minimum length of paid vacation may not be less than those of workers in agriculture. Unilateral alteration of the terms of an employment contract is not allowed.

(2) The proprietor of a peasant farm may conclude employment contracts for a term more than 6 months or employment contracts for an indefinite period with no more than three individuals at the same time. If the

presence of a larger number of workers is an economic necessity, then the peasant farm is reorganized as a cooperative, a small enterprise, or some other form of agricultural enterprise.

(3) For an individual working on a peasant farm under a labor contract, this may be his principal place of work, but he may also conclude a contract with the owner to work in the free time he has from his principal job. No specific permission from the place of his principal job is required for this.

If the peasant farm is the principal workplace for an individual working under an employment contract, and employment relations last more than 3 months, then the proprietor of the peasant farm is required to register the employment contract with the local committee of the appropriate trade union.

(4) The proprietor of the peasant farm is required to ensure on his farm safe working conditions for members of the family and workers; in case of an impairment of health or death caused by work on the peasant farm, he is required to reimburse damages according to the procedure envisaged by civil legislation.

(5) Employment disputes between the proprietor of a peasant farm and a worker who has concluded an employment contract with him are decided in the courts on the basis of the content of the contract concluded, and on matters not regulated by the contract, on the basis of labor legislation. The financial liability of the worker is envisaged by labor legislation.

Article 27. Supply of materials and equipment to the peasant farm:

(1) The proprietor of the peasant farm has the right to conclude contracts to acquire property and implements necessary to operate the peasant farm both with producers and supply and sales organizations and also with organizations in retail trade.

(2) Equipment, replacement parts, electric power, fuel, and other materials and equipment necessary to operate the peasant farm are acquired and services rendered to the proprietor of the peasant farm are paid for through organizations in wholesale trade and other appropriate organizations according to the procedure and at the prices established for state and cooperative agricultural enterprises. The repair and servicing of agricultural equipment are done according to the procedure and under the conditions envisaged for kolkhozes and sovkhozes.

Article 28. Marketing the products of the peasant farm:

(1) The peasant farm sells its products independently, in accordance with contracts concluded. In selling agricultural products and products resulting from their processing, the requirements established by the state must be met.

(2) Payment for products sold to the state through procurement organizations is made at the established state purchase prices along with the supplements that have been envisaged. The peasant farm sells its products to other consumers at negotiated prices. Additional supplements to the purchase prices of agricultural products may be established in the long-term contracts which the proprietor of the peasant farm concludes to sell his products to the state.

(3) Benefits extended to the farm operator and the system for supplying him ensure that the products of the peasant farm are sold mainly within Estonian SSR. Products sold outside Estonian SSR are subject to a higher income tax (or their sale within Estonian SSR is encouraged through a state subsidy) to be established by the ESSR Government.

(4) Points of sale (stores) may be established to sell the products of the peasant farm, and hired labor may be used for this purpose according to the procedure established in Article 26, Paragraph 3, of this Law.

Article 29. The financing of the peasant farm with credit and other resources:

(1) The proprietor of the peasant farm has the right to open current and savings accounts in banks. Withdrawal of amounts from accounts of the proprietor of the peasant farm is made at his order. The banks pay interest for use of the uncommitted balances of resources in the account of the proprietor of the peasant farm. The proprietor of the peasant farm may develop foreign economic relations, open a foreign exchange account in the bank, and use foreign exchange.

(2) In order to develop the peasant farm its proprietor has the right to take short-term loans and also long-term loans to be repaid over a period as long as 50 years and with a grace period of 6 years after the loan is received. The proprietor of the peasant farm pays interest for use of a loan on the same basis as other workers in agriculture. Appropriate resources are envisaged for extending these loans to peasant farms, the procedure for granting the loans and the conditions for the repayment are also established.

(3) State, cooperative, and public organizations have the right to make deductions to funds for development of peasant farms, and these deductions are not taken into account when the amount of taxable income is being determined. State and cooperative organizations have the right to make a loan to a peasant farm under a contract concluded with its proprietor.

(4) The bodies of local self-government may extend to peasant farms loans without interest, and they have the right, depending on the results from use of the loan, to cancel all or part of the debt.

(5) All the means of guaranteeing fulfillment of obligations (collateral, suretyship, guarantees, and fines) envisaged by civil legislation are used for the repayment of loans.

Article 30. Taxation of the peasant farm:

(1) The peasant farm pays taxes on the basis of general legislation in effect in Estonian SSR.

(2) The peasant farm is exempted from the payment of taxes for 5 years counted from the 1st of the month following creation of the peasant farm (Article 10, Paragraph 3, of this Law).

(3) The leased peasant farm pays taxes according to the terms and conditions envisaged in the lease.

(4) Individuals working on a peasant farm under an employment contract pay income tax on their wages according to the procedure envisaged for workers in agriculture.

(5) The body of local self-government has the right to grant tax benefits.

Article 31. Joint activity of peasant farms:

To improve their activity, to obtain better protection of their rights and legal interests, peasant farms may join together on voluntary principles to form various societies, partnerships, alliances, and so on. In their production activity, peasant farms may enter into cooperative relations with kolkhozes, sovkhozes, and other organizations, as well as with individuals, and they may be collective members of cooperatives.

Article 32. The assistance extended by the state to the peasant farm for the conduct of economic activity:

The bodies of local self-government organize for the proprietors of peasant farms an advisory service partially financed with state resources and resources of the local self-government. The state provides paid veterinary, zootechnical, engineering and technical, and agrotechnical assistance.

Article 33. Recordkeeping and reporting on the economic activity of the peasant farm:

The peasant farm keeps records of its economic activity and submits data on it according to the procedure envisaged by legislation.

Title V. Social Security and Insurance

Article 34. Social security and insurance of members of the family on the peasant farm and persons working under an employment contract:

(1) Members of the family on the peasant farm and individuals working on the peasant farm under an employment contract have the right to state social insurance and social security against old age, illness, full or partial disability, loss of breadwinner, and other cases

envisaged by legislation. To that end, the proprietor of the peasant farm pays into the budget for state social insurance contributions according to established procedure for the members of the family on the peasant farm who participate in joint work and who are at least 14 years of age and for workers, but not less than is necessary to qualify for minimum benefits under state social insurance and pensions. The insurance contribution is paid by the proprietor of the peasant farm on the basis of the total wages actually paid to individuals working under an employment contract on the peasant farm.

(2) Peasant farm members and other individuals working on the peasant farm are paid pensions of all types without any restrictions whatsoever. The time worked on the peasant farm for which social insurance contributions were paid, with the exception of cases enumerated in Paragraph 4 of this article, is counted in permanent total work service.

(3) Records on the work of members of the family on the peasant farm and individuals working on the peasant farm are kept by the bodies of local self-government, which also enter work in workbooks.

(4) The proprietors of peasant farms and members of families on peasant farm are also entitled to enjoy other forms of pension coverage and social insurance. The proprietor of the peasant farm may pay social insurance contributions for the members of the family on the peasant farm and also workers working on the peasant farm under an employment contract even if they work fulltime somewhere else. In this case, the wages received on the peasant farm are added in when benefits are calculated under social security and pensions.

Title VI. Inheritance of the Peasant Farm

Article 35. Inheritance of the right to use the land of the peasant farm:

(1) Should the proprietor of the peasant farm die, the right to perpetual use of the land becomes part of his estate, which is distributed according to his will or according to the procedure of inheritance under the law. The proprietor of the peasant farm may will the right to use the land of the peasant farm to one of the members of the family on the peasant farm. If there is no will, or if the heir indicated in the will refuses to accept the right of using the land, or if this right cannot be transferred to him because he does not meet the requirements of Article 4 of the present Law, and the impediments cannot be removed within a period of 3 years, then with respect to conveying the right to use the land the following order of priority of persons who have the right to inherit a peasant farm is to be followed:

1) adult children and spouse of the proprietor of the peasant farm who are members of the family on the peasant farm;

2) adult children of the proprietor of the peasant farm who are not members of the family on the peasant farm;

3) other legal heirs who are members of the family on the peasant farm;

4) other legal heirs who are not members of the family on the peasant farm.

(2) When Subparagraphs 3 and 4 of Paragraph 1 of this article are applied, the provisions of the ESSR Civil Code are to be taken into consideration. Heirs of the next rank are invited to inherit the right of using the land only if heirs of the previous rank do not exist or have refused the right to use the land, have been deprived of this right in the terms of the will, or do not meet the requirements set forth in Article 4 of this Law, and the impediments cannot be removed within 3 years. If there are several heirs of the same rank, who under the law have the right to inherit the right to use the land of the peasant farm, then preference should go to the one who has made the greatest contribution through work to the peasant farm.

(3) If a proprietor of a peasant farm inherits another peasant farm, he is required within a year to cease to operate one of them at his own choice according to the procedure envisaged by Article 15 of this Law, in a case when it is not possible to join the peasant farms to make a single peasant farm.

(4) If the person who inherits the right to use the land does not meet the requirements set forth in Article 4 of this Law, but the impediments may be removed within 3 years, then the body of local self-government, taking into account the recommendations and consent of the members of the family on the peasant farm, designates a person to replace the proprietor of the peasant farm until such time as the heir can take up the rights of proprietor (reach age 21, and so on).

(5) If there are no heirs or if they refuse to accept the right of perpetual use of the land of the peasant farm, and also in the case when the opportunity indicated in Paragraph 3 of this article is not exercised, the activity of the peasant farm is terminated under Articles 37 and 38 of the present Law.

(6) The right to perpetual use of all the land of the peasant farm passes by inheritance to one of the heirs. A peasant farm is divided into more than one peasant farm only according to the procedure envisaged in Article 13 of the present Law, and this question may not be decided by the person replacing the proprietor of the peasant farm (Paragraph 3 of this article). In case of a dispute, the wishes of the testator as to division of the land of the peasant farm may be taken into account by the court and the body of local self-government.

(7) Disputes related to inheritance of the right to the use of land are decided in the courts, and the body of local self-government with the authority to allocate land is called upon.

Article 36. Inheritance of the property of a peasant farm:

(1) In case of death of a member of the family on the peasant farm, the question arises of inheritance of his share in the property of the family. If the family on the peasant farm is preserved, the heir who is a member of the family on the peasant farm has the right to obtain his share of the inheritance according to the procedure set forth in Article 21 of the present Law; an heir who is not a member of the family on the peasant farm has the right to obtain the portion of the inheritance to which he is entitled in money to be paid on the basis of an agreement with the proprietor of the farm and the other adult competent members of the family on the peasant farm, but no later than 5 years from the date when the estate was formed; the share of the legacy subject to inheritance regardless of whether the inheritance is governed by law or a will, may not exceed 30 percent of the property of the peasant farm at the moment when the estate is formed.

(2) When property is inherited, obligations burdening the peasant farm pass to the heir in proportion to the share of the estate received.

(3) Heirs continuing to operate the peasant farm are exempted from payment of state duty on inherited property.

(4) Inheritance of the property of the family on a peasant farm is regulated not only by the present Law, but also by civil legislation.

Title VII. Termination of the Activity of the Peasant Farm

Article 37. Basis for termination of the activity of a peasant farm:

The activity of a peasant farm is terminated as follows:

1) if there is no one who is willing or able to operate the peasant farm, including the cases enumerated in Article 15, Paragraph 3, and Article 53, Paragraph 5, of the present Law;

2) if the peasant farm is declared unable to pay its debts, which results in the auctioning off of the property of the peasant farm to cover the debts (Article 15, Paragraph 5, of the present Law);

3) on the grounds set forth in Article 16, Paragraph 1, of the present Law;

4) in a case of confiscation of land for purposes of the state or public purposes in the cases envisaged by legislation (Article 16, Paragraph 7, of the present Law), which may but need not involve demolition of the structures. The family on the peasant farm is entitled to obtain land somewhere else, including the erection of new structures or movement of the previous structures.

Article 38. Procedure for termination of the activity of a peasant farm:

(1) Termination of the activity of a peasant farm on the grounds enumerated in Article 37, Paragraphs 2 and 4, of the present Law, conforms to the procedure specifically envisaged for this case by legislation. In case of termination of the activity of a peasant farm on the grounds enumerated in Article 37, Paragraphs 1 and 3, of the present Law, the body of local self-government organizes a new allocation of the land without transfer of the structures, or, according to the wish of the proprietor, their sale at auction or leasing. If the structures are conveyed, their value is reimbursed to the members of the family on the peasant farm.

(2) In a case when the buildings of the peasant farm remain in possession of a family or individual that has ceased to operate the peasant farm, then at the time of their subsequent sale the new user of the land of the peasant farm has a prior right to acquire them.

(3) Should the family on the peasant farm decide in connection with termination of the peasant farm's activity to sell most of the production buildings, the body of local self-government is required to find a purchaser and to accept the land of the peasant farm.

Title VIII. Legal Guarantees of Operation of the Peasant Farm

Article 39. Legal guarantees of operation of the peasant farm:

(1) Operation of a peasant farm may be terminated only on the grounds envisaged by the present Law.

(2) No body of the state or organization has the right to interfere in the operation of a peasant farm or to establish additional duties or restrictions not envisaged by legislation.

(3) State bodies and organizations and also officials are accountable for losses which their intervention in the economic activity of the peasant farm inflicts, including the category of lost income.

(4) The conditions for operation of a peasant farm and the procedure for creating peasant farms and termination of their activity may be amended only by the Supreme Soviet of Estonian SSR.

Land Law Questions, Obstacles to Private Farming

Latvian Law Amended

904B0089A Riga SOVETSKAYA LATVIYA in Russian
25 Nov 89 p 3

[Law of the Latvian Soviet Socialist Republic on Introducing Changes in and Supplements to Some Latvian SSR Legislative Acts on Matters Concerning Peasant

Farms, 11 Nov 89; UEA-89-027, dated 3 Aug 89, has Land Law Discussion by Rymashevskiy & Text]

[Text] In connection with the adoption of the Latvian SSR Law "On Peasant Farms in the Latvian Soviet Socialist Republic," the Supreme Soviet of the Latvian Soviet Socialist Republic decrees:

To introduce changes in and supplements to the following Latvian SSR legislative acts:

I. In the Latvian SSR Land Code:

1. To supplement article 10 after the third part with a new part of the following content:

"Land is granted to the peasant for perpetual use. The right of land use passes to one of the peasant's heirs";

to consider fourth and fifth parts fifth and sixth parts respectively.

2. To supplement point 2 of article 12 with an eighth paragraph of the following content:

"For perpetual use by citizens for the establishment of peasant farms—from state reserve land, state forest land, and land of kolkhozes, sovkhoses, and other enterprises and organizations."

3. To supplement the first part of article 16 with the words "and also for citizens for the establishment of peasant farms."

4. To supplement the first part of article 31 after the words "kolkhozes, sovkhoses, and other enterprises, organizations, and institutions" with the words "and also peasants."

5. To supplement article 52 after the first part with a new part of the following content:

"For the establishment of peasant farms land for agricultural purposes is granted to citizens for perpetual use";

to consider second and third parts third and fourth parts respectively.

6. To supplement article 54 with a second part of the following content:

"The duties connected with the use of land for agricultural purposes stipulated by points 2-5 of the first part of this article are also imposed on peasants."

7. To set forth Chapter 12 in the following version:

Chapter 12

Land Use of Peasant Farms

Article 81. Peasants' Right of Land Use

Peasants use the land plots granted to them for agricultural production.

Article 82. Size of Land Plots Granted to the Peasant and the Procedure of Granting Them

A land plot from state reserve land, state forest land, and the land of kolkhozes, sovkhozes, and other enterprises and organizations is granted to the citizen wishing to establish a peasant farm.

In each case the size of the land plot is determined with due regard for the composition of the peasant's family, proposed farm specialization, local conditions, and possibility of efficient land use.

Land is granted to the peasant for perpetual use in accordance with the decision of the executive committee of the rayon soviet of people's deputies.

Perpetual land use is affirmed by a state act for the right of land use.

The land plot granted to the peasant is not subject to division. Its size can be changed only on the application of the peasant himself.

In case of the death of the peasant, to whom a state act for the right of land use was given, one of his heirs and, in the absence of such, another family member receives the priority right to the reformulation in his name of the state act for the right of land use.

In case of a dispute between heirs the question of the preferential right of land use is decided by the court.

The peasant can renounce the right to use the land plot granted to him. In this case he indicates the successor from among family members, who receives the preferential right to formulate in his name the state act for the right of land use.

8. To supplement the third paragraph of the second part of article 100 with the words "and also by peasants."

9. To supplement article 102 after the words "other agricultural enterprises" with the words "and peasant farms."

II. In the Latvian SSR Civil Code:

1. To supplement the code with article 113 of the following content:

"Article 113. The Peasant's Property

"The peasant can own structures and installations without a limitation of the area, crops and plantings, tractors, trucks, equipment, other agricultural machinery and spare parts for it, productive and draft livestock, produced products, and other property necessary for the management of the peasant farm.

"A married couple living together and their minor children can have only one peasant farm."

2. To omit article 127.

3. To omit the words "by individual peasant" and "of individual peasant" from the title and text of article 583.

III. To omit the third part from article 23 of the Latvian SSR Marriage and Family Code.

IV. To omit the word "personal" from point 1 of article 5 of the Russian text of the Latvian SSR Law "On Peasant Farms in the Latvian Soviet Socialist Republic."

A. Gorbunov, Chairman of the Presidium of the Latvian SSR Supreme Soviet

I. Daudish, Secretary of the Presidium of the Latvian SSR Supreme Soviet

Riga, 11 November 1989.

Impediments for Non-Farmers

904B0089B Riga SOVETSKAYA MOLODEZH in Russian 5 Dec 89 pp 1-3

[Article by Natalya Sevidova: "Waiting"]

[Text] In the fall of 1917 such a simple and clear slogan as "Land For the Peasants" rallied the multimillion mass of the Russian peasantry behind the Party of Bolsheviks and ensured its victory in the proletarian revolution.

Today this slogan is again in the center of political passions. However, it no longer has the previous clarity. Land For the Peasants... However, only for them? For use or possession? With buying back or without? And the chief thing: Who should dispose of it: Kolkhozes, state farms, or soviets?

There is also the following opinion: There is no point in imposing land on kolkhoz members. With present technical equipment, allocation, and so forth they will have trouble with it. The following thought is heard secretly in many discussions (specialists in agrarian problems from the managerial staff do not play second fiddle in them): By dividing up land among small commodity producers, will we not ruin collective farms? In general, there is some basis for such anxiety.

It is well known that the family of an American farmer cultivates almost the same wedge area on which we keep the staff of an entire kolkhoz. Of course, such a high labor productivity does not threaten us yet. Nevertheless, with all the indifference of the domestic industry to the private farmer, as a rule, he manages more diligently. Even on prosperous millionaire kolkhozes and giant sovkhozes production efficiency has its ceiling. But on a private farm it is higher by several orders. Even with our archaic level of mechanization and automation of peasant labor private farmers produce 40 percent of the total output on 3 percent of the agricultural areas. One need not be a great economist to calculate what will happen if private land resources are increased at least to 12 percent.

And so the fears about the fate of unnecessary people in rural areas are not unnecessary. By no means every rural

specialist, especially among intermediary ones (of whom there is no end), will find in the person of the landowner peasant a customer for his knowledge and skills. It is well known that the large-headed and long-armed muzhik himself is a mechanic, an agronomist, and a veterinary specialist. Not to mention that on the farm he has no need for counters, accountants, chief power engineers, economists, and all kinds of production organizers and managers. It may happen that before long many of them will have to demonstrate their occupational solvency.

If only we receive a positive answer to the fundamental question: **Will Peasants Take Land?** Incidentally, why only peasants? In general, what is the difference between the rural machine operator and, for example, an excavator operator? Only that one works in the field and lives in a hut and the other works in a quarry and lives in a city apartment. Often both even have a subsidiary plot. The specific nature of our agro-economic relations is such that today very often we have a hired agricultural worker, not a peasant. Therefore, not only those who are geographically closer to land, but those who will be able to use it most productively, should enjoy land allotment privileges. Of course, it would be better if rural dwellers were such people. On the other hand, the wave of the socialist method of management in rural areas has been especially strong. Peasant psychology, the way of thinking, moral values, treasures of national culture (fortunately, in the Baltic region less), customs, traditions, and faith—everything that has constituted the very spirit of the peasantry—have been carefully eradicated here for decades. After such pressing the following doubts are quite natural: Will kolkhoz members remember that they are peasants and will they want to take land?

And if they want? Are kolkhozes, sovkhoses, state organizations, and departments ready to share it with them?

Vladimir Lukyanovich, a resident of Riga, licensed thermal power engineer, thought more and more frequently about peasantry. True, such thoughts did not begin to overcome him suddenly. Ten years ago he bought a farmstead in Yelgavskiy Rayon. He kept an orchard and a garden. He got rid of city stress and gathered excellent harvests. Gradually he came to the conclusion that work on land was his main calling in life. I will state more precisely: not simply work, but the opportunity to become the master of his own business and to fully manifest his skill and enterprise.

In September Vladimir submitted an application to the Yelgavskiy Selkhoztekhnika Association with the request to transfer to his possession 25 hectares of land near the Lachi farmstead belonging to him. Incidentally, historically, this was farmstead land. One day the former owner came to Lachi and confirmed: "He used to sow up to this forest..."

However, as of 1979 in accordance with the decision of the Council of Ministers this allotment has been placed at the disposal of Selkhoztekhnika and is now put down

under the name of its subsidiary farm Peterniyeki, but is not used. The plot is at a certain distance from Peter-niyeki. To this day somehow it has not been convenient to cultivate it. And so it is overgrown with woods and weeds. One would think, why does Selkhoztekhnika cling to this land? However, state sector workers behave like the dog in the manger: I will not use it myself, nor will I give it to others. They talked and argued and, finally, gave Lukyanovich paper instead of land: We cannot comply with your request. We consider it economically inadvisable, because there is not enough land for sowing fodder crops. This is not profitable economically, because there are no guarantees that Lukyanovich will deliver his products to the association's restaurant. A full stop and a signature. No, not by the manager, but by the chairman of the labor collective council. One cannot go against democracy...

In fact, free enterprise does not tolerate dictate. The owner is the master and the choice of the market is up to him. However, somehow no one thought that there are different methods of keeping a business-like partner and of interesting him, for example, with the benefits of leasing modern equipment and with transport services. This is a child's play for the most powerful production association with its vast machine pool. Experienced people think that even the scarcest minitractors could be produced at the Selkhoztekhnika base. And then the private farmer with his bacon and cottage cheese, not the neighboring farmer, will rush here from all Latvia.

However, this smells of agricultural business and commercial shrewdness will be needed. It is simpler and better for our Soviet manager to act in the old way—to hold and not let go. Administrators also now do not hold, but withhold... With such subtler tactics one will always avoid an accusation of being a retrograde.

In the case with Lukyanovich a certain concession to modern trends was made: Land leasing was offered to him. You want to work on land—for God's sake! We are only for this!

More than enough has been written about the feudal enslavement of lessees by kolkhoz and sovkhos command, as well as by numerous red-tape-mongers. Perhaps relations between them seem harmonious to Comrade Ligachev, who is making rounds to kolkhozes for show. Perhaps, somewhere a kolkhoz office and lessees live in perfect harmony. However, more often other news arrive from remote areas: Not everything is all right with leasing. The complete dependence on whoever it may be, even if he is as good as gold, can give nothing but a sense of instability in one's situation and clips the wings of initiative.

"Why should Lukyanovich not conclude a contract with us?" Comrade Shtokmanis, deputy personnel manager of Selkhoztekhnika, tried to convince me. "It is a profitable business. One person took 2 hectares from us,

raised eight hogs, and delivered them to us. This year he has already taken 4 hectares and has not lost. Our prices are not bad."

How to convince the office worker that to contract someone to produce, build, plow, or dig out something is one thing and to manage himself and his farm on his own and to be independent from beginning till end is another. To develop and cultivate a tiny corner of the planet, to take roots in this land, and to pass it on to one's children—this is what is primarily attractive to such people like Lukyanovich. Incidentally, was it not the desire to be a complete master at least somewhere and in something that gave rise to the mass enthusiasm for amateur horticulture during the years of stagnation? Millions of people throughout the country, who were very removed from rural work, grabbed at tiny plots of six hundredths of a hectare and expended vast efforts and funds on their development. Only for the sake of an apple and crop harvest, for the sake of the delights of physical labor in fresh air? Well, for the sake of this also. But also because people could manifest there their creative freedom to a certain extent: They could build a small house with a porch or with carved door frames. One liked "antonovka" apples and another, rhododendrons. One wanted garden beds from north to south and another, from west to east...

And so the notorious instinct of an owner, which has not been destroyed by collectivist training, is alive among the people. Even in Peterniyeki an application was received not from Lukyanovich alone. Seven other people made an attempt to establish themselves on their own. All right, Lukyanovich is a man from another place. It is simply a shame to give land to a stranger. However, the rest are local people. The authorities talked with each of the applicants and also turned them down. Perhaps, however, the authorities were really guided by considerations of economic advisability?

Alas, Peterniyeki is an unprofitable farm. And no wonder. With a pencil in his hands Vladimir made a simple calculation: On the subsidiary farm there is an organizer and a chief for every four people directly participating in production.

Peterniyeki has gas supply and hothouses and is but a stone's throw from Riga. It would seem that it is a gold mine. For the private farmer it would become such, but not for the state sector.

Shtokmanis attributes this paradox to the fact that state purchase prices are low: "Rich kolkhozes derive income from auxiliary industries. But what do we have? Beets, oats, milk, and meat..." However, the subsidiary farm was not planned in order to deliver products to the state, but, first of all, to the table of Selkhoztekhnika workers. Who prevents the association from raising the prices of products and make the farm profitable? Can Selkhoztekhnika not afford this? Glancing at its luxurious glass and concrete office buildings, one can assume that in the

association, as in its "subsidiary farm," for every person with a plow there are seven with a spoon. And all of them sup from the same boiler.

Today, like yesterday, those who occupy numerous bright and warm offices decide the fate of those who work or want to work directly on land.

True, during the talk with the correspondent the deputy manager took one more step to meet the applicant farmer halfway:

"Let him work a couple of years on the basis of a leasing contract. We will see what it costs. And then we will give him land."

However, Vladimir was skeptical about the test period set for him.

"This is all subjective. In 2 years, no matter how I manage things, reasons will be found to turn me down."

Why I Am Against Leasing

A monologue by Vladimir Lukyanovich:

"Today any kolkhoz (or state farm) is a monopolist with respect to the lessee. Selkhoztekhnika is not an exception. Nothing can force the association to strictly fulfill the terms of the contract—to give machines and ensure that the harvest is transported out on schedule. For example, I was promised that three-phase electricity will be brought to the farmstead. I talked with knowledgeable people and they told me: Stop it, no one even thought of budging. Of course, it is tempting to have business relations with such a powerful partner as Selkhoztekhnika. However, this partner is not very reliable. In any case, for now. Therefore, I set for myself the goal of maximum independence. I will have to invest big funds in the purchase of equipment, construction of hothouses, road and house repairs, and so forth. In general, my dream is a highly productive farm organized according to the last word in science. There is already a preliminary agreement with agricultural scientific research institutes. I hope to use modern technology and an elite seed stock. But if I am only a lessee, what legal guarantees will I have that one fine day Selkhoztekhnika will not want to rescind the contract with me and will not drive me away from the land? I risk incurring big losses. Who can be enticed by such prospects?

"I am told: First we want to verify what kind of owner you are.

"Well, what kind of owner the state sector is can be seen clearly even without a verification. Planned land reclamation around Lachi was carried out a year ago. Timber was not cut, but was knocked down by bulldozers into felt. Lots of unnecessary ditches were dug up. Apparently, the payment was based on the volume of removed ground. The farmstead was cut off from the road by three ditches. Four gigantic piles of branches, sand, and all kinds of trash with ideal conditions for the reproduction of rats and pests were left on such a tiny plot. The entire

fertile layer was turned over. It is even difficult to estimate how much effort and money are needed in order to bring this land up to the norm now. In spring, when talks were going on about the transfer of land, these pits were plowed and sown for the first time in 10 years. However, they could not even be harvested properly—after land reclamation harvesting machines do not pass everywhere.

"How would I act if the land were mine? I would restore the old network of drainage ditches, at the same time, not damaging a single meter of arable land. But what is now? The equilibrium of the entire ecosystem has been disturbed here."

Our entire economic system is out of balance in the same way. I am confident that Lukyanovich and people like him could actively participate in the restoration of this balance. They could if they were permitted...

For the time being, however, heated debates are going on about so-called private farmers and private property. These words themselves are perceived as abusive. Nor do they appear in the draft of the Law on Property. The concepts "personal property" and "citizens' property" figure. Academician Abalkin most of all likes the term "individual labor property." Another thing is important: The draft establishes the right—although it is curtailed—of land ownership: For the management of a peasant farm land is granted for lifetime and inherited possession... And furthermore: "Rayon and city soviets of people's deputies have the authority to dispose of land for agricultural use, including to grant land for leasing (but not for possession—N. S.)."

And so some hopes began to appear for Lukyanovich. However, even the published draft did not introduce full clarity.

In the meantime a cold fall wind stirs the darkened stalks of unharvested sunflowers on the stubble around the Lachi homestead.

"Oh, now everything should be plowed again and manured. I have already clamped the potatoes..."

Vladimir is waiting. Land is waiting. The country is waiting.

Access to Land Delayed

904B0089C Moscow *LITERATURNAYA GAZETA* in Russian No 51, 20 Dec 89 p 12

[Article by A. Nikitin, *LITERATURNAYA GAZETA* correspondent in the nonchernozem zone: "Land For the City Dwellers!"]

[Text] *IZVESTIYA* TsK KPSS (No 8, 1989) reports that, on the average, a family, which has a garden plot, gathers from it 104 kg of fruits and berries, 119 kg of vegetables, and 228 kg of potatoes annually.

We will comment on these figures. If we evaluate the output of the "dacha owner" at average state prices

(fruits and berries—1.5 rubles; potatoes—20 kopecks; vegetables, mostly tomatoes and cucumbers—50 kopecks), it is worth approximately 5,000 rubles per hectare.

According to the data of the Central Statistical Administration, in the RSFSR in 1988 a hectare of agricultural land on kolkhozes and sovkhozes, on the average, yielded 480 rubles, in the most advanced Leningrad Oblast, 2,230, and in Moscow Oblast, 1,860... With all the differences in the structure of output (fruits here and grain, milk, and meat there), nevertheless, the difference is staggering. Especially if we take into consideration that kolkhozes and sovkhozes have arable and agricultural land, while the gardener has unsuitable land, and that the state losses up to 40 percent of the vegetables and potatoes from the field to the counter, while the gardener saves everything up to the gram. The conclusion is clear: Land should be given to every city dweller who wants it!

There are resources. In Moscow Oblast there are 248,000 hectares of waste land, burned areas, and weedy land in forest resources alone. And there are also 40,000 hectares of "violated agricultural land." There is enough land to provide almost 6 million families in Moscow and near it with plots. This will constitute only a small share of the land in the oblast.

However, as is well known, according to the decree of the Central Committee and the Council of Ministers every city dweller, who wanted it, was supposed to acquire a plot in 2 or 3 years. Two years have already passed. The provision of the people of Moscow and near it with plots is 1.5-fold lower than the Union level. Even front-line soldiers are still waiting.

Land should be given to those who cultivate it! First of all, to those who cultivate it best!

Complaints From Moscow Peasant Union

904B0089D Moscow *SELSKAYA ZHIZN* in Russian 15 Dec 89 p 2

[Appeal by the constituent assembly of the Moscow Peasant Union: "Equal Conditions for All"]

[Text] During the days of work by the Congress of People's Deputies the editorial department receives letters addressed directly to the forum of our elected representatives. Readers write about what disturbs them most of all and, in their opinion, requires the deputies' special attention.

The appeal by the recently established Moscow Peasant Union, whose constituent assembly was held at the beginning of December, is one of such letters. The appeal, which we publish today, was adopted at it. In particular, it states the following:

For many years we dreamt about the time when one could be an independent master on land working for himself and his family and, ultimately, for our Soviet society, not a hired worker of a kolkhoz, sovkhoz, or the

state. We thought that after the March Plenum of the CPSU Central Committee we would be given this opportunity. Alas, to this day not a single peasant in Moscow Oblast has received from the state land either for leasing, for possession, or, especially, for ownership.

The biggest thing we have is "leasing" within a kolkhoz or a sovkhoz under crushing terms: All the calculated profit is withdrawn by the farm and it is clearly prescribed what and how much to produce and where and at what price to sell.

We remember the words of V. I. Lenin, who in the article "On Cooperatives" wrote the following: "We now should recognize and realize that at present the public system that we should support over and above the ordinary is the cooperative system."

How do local authorities support rural cooperatives and peasant farms?

As a rule, the worst land and neglected or semineglected farms are allocated to us. Calling us masters of land, we are deprived of the right to dispose the products that we produce. Moreover, for these products the state pays us two-thirds or one-half of what it pays kolkhozes and sovkhozes, which receive subsidies.

Equipment, fertilizers, building materials, petroleum products, and other material resources—all this the lessee has to find on his own at prices much higher than those for kolkhozes and sovkhozes. Usually, nothing is sold to him even at these prices.

It is almost impossible for cooperatives and peasant farms to receive credit for the purchase of equipment, farm development, and herd formation. Even if it is issued, it is for a period of up to 8 years with withholding as of the 3d year, when the farm is only beginning to get on its feet. At the same time, the interest on long-term credits and loans for lessees again is much higher than for kolkhozes and sovkhozes.

All this is accompanied by speeches and statements by party and state figures about the revival of the master on land and support for peasant farms and cooperatives. We cannot evaluate this except as a mockery of those who have not yet given up on everything and whose hearts still ache for our tormented and neglected land.

Such people are becoming increasingly fewer every day. The majority already prefer guaranteed wages on sovkhozes and kolkhozes, leaving the concern for final results to the authorities.

Unfortunately, we see that you, comrade deputies, are in no hurry. You will adopt the Law on Land not before March, that is, there cannot even be talk of its practical realization in 1990. Another year will be lost. The number of disappointed people will increase even more and the number of people who want to take this land will decrease even more.

Moreover, the draft law itself is prepared so obscurely that there is no confidence that land will get into the hands of peasant farms and cooperatives and will not remain, as before, in the hands of kolkhozes and sovkhozes alone.

We, who have gathered at the constituent assembly of the Moscow Peasant Union, consider peasant farms and cooperatives the preferable form of management. At the same time, we respect the choice of those who prefer to work on kolkhozes and sovkhozes. The opportunity to choose forms of management, no matter what they may be, is man's inalienable right. So, give us also the opportunity to work according to our choice: on peasant farms and in cooperatives. Do at least something so that before the beginning of the next sowing work land is handed over to the peasant, naturally, with due regard for his business qualities and agricultural training. Solve the problem of material and technical supply and preferential credit for such farms.

If the congress is unable to adopt the Law on Land, which, in our opinion, needs to be reworded fundamentally, it seems that it is possible to adopt some provisional governmental decree supported by the congress, where these problems would be solved.

LIVESTOCK AND FEED PROCUREMENT

Leningrad Experiment Aimed at Increasing Productivity

904B0098A Moscow SELSKAYA ZHIZN in Russian
15 Dec 89 p 2

[Article by N. Selina, director of the laboratory for economics and organization of the feed base of the NII [Scientific Technical Institute] for Economics and the Organization of Agricultural Production, Leningrad: "Struggle on 'No Man's' Land: Why is it that in some enterprises low milk yield and weight gain are achieved even when feed is abundant?"]

[Text] The program of a Leningrad experiment, the goal of which was to develop and check the new economic mechanism for production management and feed use, has been completed. We have in mind a system of measures on planning, account-keeping, the use of feed for the material stimulation of workers within this branch, and a monetary assessment of all forms of forage oriented toward improving its quality.

In Russia seven tenths of agricultural lands and over half of the plowland, and in the Non-Chernozem Zone even two-thirds of the plowland, are used for feed production. Expenditures for feed comprise 60-70 percent of the production cost of livestock products, which is growing from year to year. Also increasing are the prices according to which the government buys these products; moreover, these prices are increasing at an even higher rate than production cost. This is occurring with the

preservation of stable retail prices at which we buy milk and meat in state stores. We wonder when this process will stop.

This is why we need a powerful counter-expenditure mechanism to regulate the production and use of feed. Everyone knows that to decrease production costs of farm products we must first increase the productivity of animals. But in this area we have not seen significant changes during the last 20 years despite the fact that during this period forage production increased very noticeably. The main reason has to do with the fact that the existing mechanism of production management and feed use is oriented toward the "yield" and stimulates improved quality poorly.

Here is just one example in support of this, and it is convincing enough. In planning feed production and procurement only the quantity is foreseen, and quality remains the same, for example, for cows with a milk yield of 2,000 and 7,000 kilograms of milk annually. Feed production workers receive wages according to the fulfillment of the plan in feed units. Meanwhile, the same quantity can be obtained whether a smaller mass of good feed or a greater mass of poor feed is produced.

Under conditions of an absence of clear orientation points regarding feed quality, feed production workers organize their work to their advantage. It is advantageous to harvest grasses at the time when they see the greatest output of mass even if this results in considerable losses of energy and protein. This is why the concentration of energy and raw protein in dry substance should become an orientation point.

The essence of the new economic mechanism, which has been widely approved in the sovkhozes of Leningrad Oblast, consists of the fact that for every level of productivity of animals the corresponding level of feed quality is planned; the material incentives for workers are also related to this. With the procurement of feed of the highest class the labor of feed production workers is reimbursed at a rate that is higher by a factor of 1.7-2.2 than with procurement of forage in the lower class. It is proposed that feed not be moved from subdivision to subdivision (from field workers to livestock farmers) according to prices that do not reflect quality, but that instead feed be purchased and sold according to differentiated contract prices. A higher price for good feed is reimbursed by supplementary livestock production output.

Among practical workers and scientists who have familiarized themselves in detail with the new mechanism there is not a single voice of opposition at the present time. At the same time, a question arises: What is next? Haven't we had many experiments, even very good ones, the results of which have been relegated to oblivion? This is of great concern to the practical workers of Leningrad Oblast and to me as their assistant. We can say that they have suffered through the experiment. The introduction of this mechanism is related to the use of

other norms for feed expenditures, new forms of production-financial plans, cost accounting assignments, ready accounts and statistical reports, instructions for the organization of bookkeeping accounting, recommendations on wages, monetary assessment of feed and so forth. But the permission of the corresponding organs is required to use all of this. We have this kind of permission, but only temporarily, in the form of an exception. Each year we must defend, with difficulty, this additional freedom from existing resolutions, especially before RSFSR Goskomstat [State Statistical Administration]. It implements such strict controls in the republic over the fulfillment of feed procurement plans that were composed by...kolkhozes and sovkhozes themselves. So it happens that today already plans are not assigned "from above," but control "from above" to make sure they are carried out is implemented very carefully.

Somehow it is even shameful now to try to show that feed units do not provide the correct picture about actual forage reserves. For example, in Leningrad Oblast many sovkhozes constantly and successfully fulfilled the feed procurement plan (in feed units) but could not increase milk yield in cows. As soon as they began to work seriously on improving feed quality, productivity began to increase while fewer concentrates were fed to the animals. But the percent of plan fulfillment decreased; the enterprise is chastized ethically as well as materially for the fact that the goal for production of feed units was not met. So it happens that the collective increases milk yield in cows, increases milk production with fewer feed expenditures per unit of production, receives for this the corresponding rewards and at the same time (!) is punished for the underproduction of feed units.

Ruled by wise sense, Lenoblagroprom [Leningrad Oblast Agroindustrial Association] turned on numerous occasions to RSFSR Goskomstat for permission to remove the indicator "feed unit" from statistical reports within the oblast, but has not received permission to do this. It was necessary to conduct an experiment, working with both systems simultaneously, one of which is oriented toward the "gross" and the other—toward quality.

How should we reorganize ourselves under such conditions? The practical workers in Leningrad enterprises are perplexed, and their followers from other oblasts are also perplexed. After all, many of them were awaiting the end of the experiment in order to use all of its good aspects at home. It is time for RSFSR Goskomstat to release the brakes. This is especially important now, when we are making the transition to a new assessment of feed via the introduction of the corresponding GOST standards. After all now solely as a result of changes in the methodology for accounting for feed units some may suffer undeservedly while others may gain the advantage. Sovkhozes must have the right to themselves select the indicators by which they are prepared to work. Otherwise we will not achieve the extensive introduction of the new economic mechanism.

We must bring order in the scientific support of feed production. The difficult situation that has developed involving feed is not accidental. Who in our country is seriously involved in a study of economic development of at least one branch of agriculture? A section on branch economy did not and does not exist in the plans of scientific-research work in either the VNII on the Economy of Agriculture or in technological institutes. The former studies common economic questions for agriculture with co-researchers and the latter study individual questions. But the economy of individual branches has turned out to be a no-man's land.

This field of battle is extensive, occupying hundreds of millions of hectares. We are not speaking about trifles. What country in the world would tolerate having seven tenths of its land operate so ownerlessly? Our science tolerates it. It is time for the VASKhNIL [All-Union Academy of Agricultural Sciences imeni V. I. Lenin] administration to focus attention on this when creating plans for the next five-year plan.

The assessment of the results of the Leningrad experiment, like the discussion that was carried out in the VASKhNIL department on the Non-Chernozem Zone, showed that today we must carry out comprehensive research in the area of feed production, uniting the efforts of economists and technologists—separate experiments will yield nothing. Common approaches have already been worked out for determining feed prices depending on their quality. But this research must be extended so that prices reflect the length of storage of forage and its dietetic characteristics. We must develop a system of economic relations for using pastures, procurement prices for feed, requirements for wholesale factory prices for mixed feed and so forth. We need promising models for feed production in enterprises, administrative regions and oblasts that take into account contemporary requirements for intensification of livestock raising. Practical workers cannot do without detailed guidebooks about the nutritive value of feeds, which would help initially while the subdivisions of the agrochemical

service are in no condition to determine the quality of all types of forage in every enterprise. We need new approaches to the technologies for feed procurement, to the organization of the material-technical base of feed production and the agrochemical service.

In general, the speed with which the new system of production management and feed use is implemented depends on agricultural and economic science. The following example clearly shows what dispersion among scientific workers of different areas of knowledge results in. The All-Union Feed Institute is introducing new GOST standards for feed in the country's enterprises. It is being supported by Gosstandart and by the central institute for agrochemical services to agriculture. At the same time, VIZh [All-Union Order of the Labor Red Banner Scientific Research Institute of Livestock Raising] scientists are expressing their basic disagreement with these GOST standards and are trying to introduce their own feeding norms in enterprises. So it happens that feed is procured based on one set of rules and is used by a completely different set. It is understandable what a negative effect this has on the effectiveness of livestock raising. The work of zootechnologists to balance rations is made more difficult.

I respect pluralism of opinion and do not at all feel that different scientists should think the same. But our scientific disagreement should not filter down to the level of the enterprise. I would like to ask VASKhNIL when we will have a single methodological center in the country to deal with the question of assessing feeds. The scientists of the entire world somehow come to agreements amongst themselves and an international center for feed assessment has already been created. Only our country has not become a member of this international association.

[From the Editors] A detailed discussion of the new system of production management and feed use can be read in the regular issue of the supplement to SELSKAYA ZHIZN, VESTNIK AGROPROMA Number 51.

POLICY, ORGANIZATION

Supreme Soviet Decree on Consumer Market Stabilization, Price Control

904D0052A Moscow VEDOMOSTI VERKHOVNOGO SOVETA SOYUZA SOVETSKIKH SOTSIALISTICHESKIKH RESPUBLIK in Russian
No 24, 22 Nov 89 pp 629-632

[Decree No 468 of the USSR Supreme Soviet adopted in Moscow on 21 November 1989 and signed by M. Gorbachev, chairman of the USSR Supreme Soviet: "On Additional Measures To Stabilize the Consumer Market and Strengthen State Monitoring of Prices"]

[Text] The USSR Supreme Soviet takes note that the continuing unjustified growth of personal money income, substantially exceeding the growth of production of consumer goods, and nonfulfillment of the plan for their delivery to the trade sector have complicated the situation on the consumer market. The shortage of many everyday necessities has become more acute, prices are rising without justification, and the inexpensive segment of the product mix is being "rinsed out." The demand of the public for certain goods has become a scramble. This creates social tension and complicates the situation of population groups that are not well-off.

In order to stabilize the consumer market, strengthen the monitoring of prices by the state, and augment the output of everyday necessities, the USSR Supreme Soviet hereby decrees:

1. Suspend the following in the 4th quarter of 1989 and all of 1990:

- Article 17, Paragraph 10, of the USSR Law on the State Enterprise (Association) with respect to the setting of contract prices on principal foodstuffs sold in state trade, except for potatoes, table grapes, fruit and vegetables, processed fruits and vegetables, including canned goods, and also certain groups of nonfood items important to social welfare, above all those for children and the elderly.

Within a period of 10 days the USSR Council of Ministers is to issue the list of these goods in agreement with the AUCCTU;

- Article 19 of that law with respect to conclusion of economic agreements and contracts to export consumer goods and raw materials for their production over and above the quotas established in the plan.

It is deemed advisable to institute licensing for the export of consumer goods and the principal raw materials for their production by all participants in foreign economic relations. The USSR Council of Ministers is to set forth within 10 days the procedure for issuing licenses for the conduct of these operations.

2. To recommend that the supreme soviets of the union republics act as follows:

- enhance the responsibility of work collectives of enterprises for adoption and fulfillment of state orders for the production of consumer goods, regularly examine progress in fulfillment of plans for the output of these goods and their delivery to the market;
- adopt measures on the basis of local conditions to expand and detail the list of goods of light industry to be sold at low prices for reasons of social welfare;
- actively call upon republic people's control committees, trade union councils, and consumer societies to implement measures to prevent the hiking up of prices of goods and rate schedules for services, the "rinsing out" of inexpensive products that are in demand, and complete the creation of a system for state monitoring of prices;
- take up the question of establishing maximum retail prices differentiated by season for the most important foodstuffs and potatoes, monitor more closely the correctness of their application, using subsidies from the local budget if necessary to make up the difference between those prices and negotiated purchase prices.

3. The USSR Council of Ministers and councils of ministers of the union republics are to substantially expand in state plans for economic and social development in 1990 the makeup of the state order, taking care to provide in it for the production and delivery to the market of the most important commodities of light industry in physical terms (fabrics, clothing, footwear, knitwear, and hosiery), increase the planned list of durable consumer goods and housewares, and also include in the state order the production of the principal raw materials, components, and supplies for their manufacture.

4. Note is taken that the USSR Council of Ministers is taking additional steps:

- to reinforce state monitoring of prices:
- the list has been drawn up of goods for which there is volume demand and for which the level of state retail prices is retained without change—meat and meat products, principal types of fish, fish products and canned fish, butter, edible animal fats, vegetable oil, margarine and margarine products, milk and dairy products, herring, cheese, eggs, sugar, natural tea, salt, flour, bread and baked goods, rolled and hulled products and peas and beans, macaroni products, baby food and dietetic food, clothing and footwear for children and the elderly at low prices on grounds of social welfare, and school writing supplies;
- a specific effort is being made to prevent withdrawal from production of inexpensive goods that are in demand, to prevent the rise of retail prices on new goods out of proportion to the change of their quality, technical-and-economic indicators, and performance characteristics;

- it has been established that as of 1 January 1990 contract prices on new nonfood items to which such prices may still be applied cannot as a rule be established with a supplement of more than 30 percent applied to state retail prices;
- **to stabilize the consumer market:**
- in draft plans for economic and social development, councils of ministers of union republics are making provision for the state order to manufacture goods for children and the elderly, including goods at low prices on grounds of social welfare, the fabrics, accessories, and other materials necessary for this purpose, and they will also determine the procedure for the sale of these goods, guaranteeing their sale to the respective population groups;
- USSR ministries and departments and councils of ministers of union republics will during the 4th quarter of 1989 and during 1990 take the indispensable steps to relieve the strain on the supply to the population of detergents, toothpaste, school uniforms, women's pantyhose, zippers, batteries, razor blades, electric irons, sewing machine needles, tobacco products, laundry and toilet soap, and improved supply of large-volume medicinal preparations;
- USSR ministries and departments and councils of ministers of union republics will set additional targets for 1990 product sales to reduce above-allowance inventories and surpluses of raw materials, supplies, equipment, intermediate products, and production waste to enterprises manufacturing consumer goods and also to cooperatives and self-employed persons;
- the USSR Ministry of Defense will in 1990 turn over to USSR Gosnab additional supplies and equipment and also clothing and household goods for sale to the public and cooperatives through retail trade;
- the USSR State Committee for Statistics, jointly with the USSR State Committee for Prices, is in the 1st quarter of 1990 working out a system for computation of price indices and inflation, and the USSR State Committee for Labor and Social Problems, jointly with the AUCCTU, will prepare proposals for adoption of appropriate compensation payments to people with fixed incomes, above all to population groups that are not well-off;
- executive committees of local soviets of people's deputies are taking steps to broaden sales of housing to the public from the state housing stock.

FUELS

West Siberian Oil Production Off to Good Start

904E0048A Moscow PRAVDA in Russian
23 Jan 90 Second Edition p 1

[Article by PRAVDA correspondent V. Orlov, Tyumen Oblast: "Hard Currency for the Oil Worker"]

[Text] *The Tyumen oil workers are off to a good start: they have extracted over 20 million tons of crude hydrocarbons from the depths of West Siberia since the start of the new year. The collectives of the Surgutneftegaz, Yuganskneftegaz and Purneftegaz associations have been working in highly productive fashion, outstripping the daily targets. The oilfield workers of Noyabrsk, Kogalym and Nizhnevartovsk are not far behind.*

This is generating confidence in the fact that the state order for the year—375 million tons of oil—will not only be successfully fulfilled, but even considerably exceeded.

There are weighty grounds for favorable forecasts. The primary party organizations of the oil- and gas-producing collectives have thinned out somewhat over the last few tempestuous months, but they have become truly battleworthy and closer to life. The influence of trade unions and the Komsomol has been reinforced, and other public formations are operating more actively.

Socialist competition has taken on a different role as well. Whereas before, for example, the names of the leading drilling workers shone like unattainable stars overhead while the rest remained in the shadows, a mass movement has been launched today aimed at seeing all 400 drilling teams of Glavtyumenneftegaz [Tyumen Oil and Gas Main Administration] reach the productivity of such renowned skilled workers as V. Sidoreyko and S. Ananyev.

The new controls of vested economic interest that were instituted recently have already begun to have a positive impact. Today, by government resolution, from 5 to 20 percent of the foreign currency received for crude production above and beyond the plan is at the disposal of the petroleum workers themselves. There are, for example, many millions of dollars in the accounts of the Surgutneftegaz Association. The labor-collective council and the administration are directing some of those funds toward acquiring consumer goods and foodstuffs. Highly productive equipment for the development of shops to process agricultural products—sausages, butter, cheese, canned milk—will also be procured abroad.

The expansion of business independence is also having beneficial effects. The Tyumen people have already begun to create joint enterprises with foreign firms. The business partnership of the Yuganskneftegaz Association with colleagues from Canada will make it possible for the

Siberians to assimilate more advanced production technology and provide an opportunity for extracting those reserves of crude that we are still unable to develop ourselves.

Contacts with consumers within the country are becoming more concrete and businesslike. Earlier the 400 million tons of oil produced by the Tyumen workers had been devoured by an enormous Moloch with the name of Glavtransneft [Petroleum Transport Main Administration]. This faceless "office," without any regional interests whatsoever, without lifting a finger and not experiencing any of the difficulties, became the owner of enormous wealth. Those who extracted the most valuable hydrocarbon product from the Siberian interior at great deprivation and labor had no rights to it whatsoever. That absurdity has seemingly been corrected today.

The oil workers are taking the first steps on the path of conversion to full regional economic accountability. The Tyumen workers thus now supply a certain amount of oil to Belorussia and the Baltic republics under contracts, and they in turn are building housing and social and cultural facilities in a number of northern cities and towns.

The field workers feel that the next step along that path should be the conclusion of direct contracts with petroleum-refining enterprises. It will be possible to enter into cooperation with them, knowing their capabilities and interests, and to expand production and receive common profits. Such work with a mutual vested interest will make it possible to eliminate the present paradoxes of mismanagement. A most acute shortage of fuel, after all, is being felt all around today—in aviation and motor transport, as well as in agriculture. And the field workers at the same time have nowhere to put the oil and associated gas that they produce, since they do not have the capability of refining them and have no economic vested interest in obtaining the finished product. That is why the flares of the broad fractions of light hydrocarbons, literally worth their weight in gold, are burning in the enormous spaces of West Siberia, that is why furnaces using crude oil are droning in thousands of boilers...

The establishment of fair prices for the crude they produce will also facilitate the reinforcement of economic independence among the oil workers.

"According to the estimates of economists," said Deputy Minister of the Oil and Gas Industry and Glavtyumenneftegaz Chief V. Grayfer, "each ton of petroleum generates 1,400 rubles of net profit for the national economy. The producing enterprises receive just 23 rubles from the state for a ton of 'black gold'... And we spend the greater portion of that money on reproduction and operational expenses. Our profits thus still look like bitter tears. The Siberian petroleum workers, according

to their estimates, should receive 80-85 rubles for each ton of oil produced in order to arrange matters efficaciously and profitably."

One also cannot fail to mention the once loudly proclaimed gaslift method of production. The Ministry of Heavy, Power and Transport Machine Building and the Sumy Association imeni Frunze promised to help the Tyumen workers incorporate it. Responding to the promises, the Siberians invested 120 million rubles over the next two years and built four gaslift complexes, from which no less than 5 million tons of oil were to be obtained each year. The poor technical level and quality of automation systems and other serious drawbacks, however, have made it impossible to put these complexes into service. All of these and other such "impositions" are in no way facilitating the rhythmic operation of the oilfield workers of West Siberia.

ELECTRIC POWER GENERATION

Union Republics' Energy Resources, Requirements Assessed

904E0049A Moscow AGITATOR in Russian
No 24, Dec 89 pp 32-33

[Unattributed article: "The Power Resources of the Union Republics"]

[Text] The integral national-economic complex has taken shape as the result of many years of development of the economy of the USSR. The issue, as was noted at the September (1989) Plenum of the CPSU Central Committee, is moreover not simply the sum total of productive capacity, but namely a unified economic organism, the individual parts of which cannot exist outside of the extant and deepening ties with the national economy of the country overall.

Effectively no union republic could create independently the potential it has at its disposal today. Not one of them, in the same way, could get by without ties among the republics and without the systematic receipt of many types of resources from other regions of the country. This is especially instructive using the example of the supply of fuel and power resources, without the utilization of which it is not possible to get by either in industrial production or in everyday life.

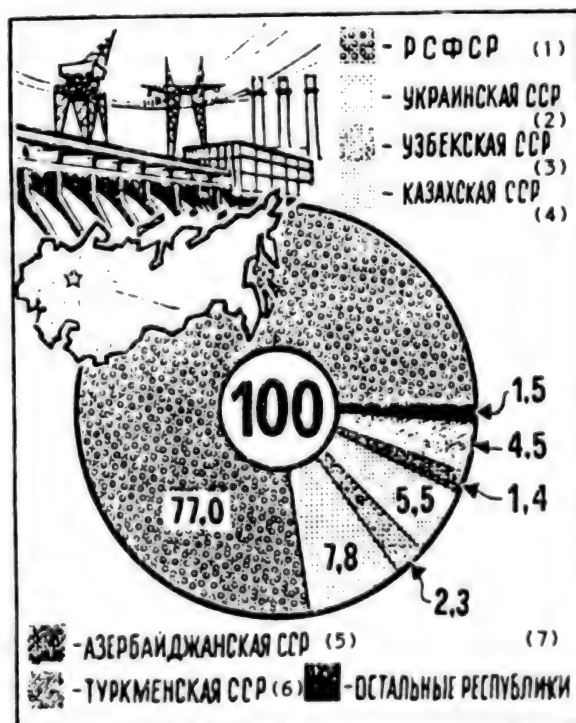
What do state statistics show in this regard?

According to summary figures for 1988, only four of all the union republics were able to meet their needs for fuel and power through their own intrinsic production: the RSFSR, Kazakh SSR, Azerbaijan SSR and Turkmen SSR. The rest made use of fuel and power resources created in the other republics to varying extents. The indicators of this fluctuate very sharply.

The Ukrainian SSR satisfied 58 percent of its fuel and power needs through intrinsic production, the Kirghiz SSR 59 percent, the Estonian SSR 62 percent, the Tajik

SSR 64 percent, the Uzbek SSR 72 percent, the Belorussian SSR just 8 percent, the Armenian SSR 16 percent, the Georgian SSR 20 percent and the Lithuanian SSR 25 percent. Some 99 percent of the fuel and power to the Moldavian SSR came from other republics, as did 90 percent for the Latvian SSR.

Industrial production in the union republics is not standing still, it is being improved, and that means that more and more raw materials and fuel and power resources are required. The following data are instructive in this connection. The situation with regard to satisfying the needs of a number of regions of the country for fuel and power were markedly altered over the period of 1970 through 1988 as the result of the rapid rate of development of the power-consuming sectors of the national economy in them. Whereas six union republics out of the fifteen completely satisfied their requirements through intrinsic production in the 1970s, their number had dropped to four in the 1980s. The Ukraine and Uzbekistan, which had earlier supplied fuel and power



Production of Principal Types of Primary Power by Union Republics in 1988

Key:

1. RSFSR
2. Ukrainian SSR
3. Uzbek SSR
4. Kazakh SSR
5. Azerbaijan SSR
6. Turkmen SSR
7. Remaining republics

resources to other regions, are forced to bring in a considerable share of them today.

The principles of the nationwide division of labor and the closest possible ties among the union republics cannot be ignored to any extent in the legitimate striving for economic independence. How can one fail to take into account, for instance, the circumstance that the mighty oil-and-gas complex of the Russian Federation provides for the greater portion of the needs of all the union republics for power resources? The high-voltage electrical-transmission lines—along which the life-giving energy that helps to develop production and improve the lives of people flows—know no inter-republic boundaries.

Augmenting and making more efficient use of fuel and power resources means buttressing the economic might of both every union republic and our whole Soviet state.

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Reservations About Moscow 'Severnaya' TETs Construction

904E0054A Moscow MOSKOVSKAYA PRAVDA in Russian 11 Jan 90 p 3

[Article by A. Yablokov and V. Tikhomirov, corresponding members of the USSR Academy of Sciences, and Ye. Simonov, member of the Socio-Ecological Union: "Opposition at Chelobityevo"; first paragraph is source introduction]

[Text] No one has stopped the construction of this power-engineering giant. However, no one has convinced Muscovites of the safety of this facility.

Construction of the Severnaya TETs has caused hot debates in the press, but basically they concern the amounts of harmful discharges from the giant 250-meter stack, although something else is more important—how well the construction of this TETs conforms to the modern strategy of developing the Moscow region.

For the 15 years of existence of the Severnaya TETs idea, lists of proposed customers for its heat have been changed repeatedly, and at present a substantial portion of those thirsting for the heat are 20-30 kilometers from the construction site, in various parts of Moscow and the nearest Moscow suburbs.

The system of economic relationships in the city's economy is such that it is advantageous to the producer to consume a maximum of fuel, and to the customer to obtain and consume a maximum of fuel and electricity. Only by implementing a serious comprehensive program for savings and for making rational use of energy resources in all branches of the economy will it be possible to answer the question of the necessity for creating new sources. Any new construction, even that which is very necessary to the city, should not cause harm to the residential environment.

In 1976, at the request of the Ministry of Power and Electrification, the Mosgorispolkom [Moscow City Ispolkom] recommended the development of a TEO [feasibility study] for siting the new TETs directly on the edge of Moscow, at Chelobityevo village. The TEO did not consider ecological and socio-economic questions. The land was allocated in 1983 by a decision of the RSFSR Council of Ministers in gross violation of the rules: without a prepared design and even without a site-selection document (the document was approved after the fact in 1984).

As a result, the TETs site was located in the bed of the Sukromka river, at the site of the ancient villages of Volkovo and Chelobityevo, along with architectural and archeological monuments. One may argue about the amount of harmful discharges into the atmosphere, the intensity of any other agents of effects, and the frequency of possible accidents, but in any case the given version for siting the TETs provides for a maximum of unfavorable consequences of the influence of these factors on Moscow, Mytishchi, and Kaliningrad, on the existing very great recreational, public-health, and nature-conservation values of the sections of the LPZP [protective strip of forested parkland], on the Losinyi island and on the Yauza, on the reservoir for drinking water, and so on. Areas adjacent to the TETs have been prepared for industrial development because they are unsuitable for other types of use.

The design did not consider at all many factors that affect the environment, such as: discharges into the atmosphere apart from the main stacks, noise, heat, electromagnetic pollution, the pollution of underground and surface waters, and the influence of the TETs on natural communities, hydrogeological processes, recreational facilities, the public's health, and so on and so on. Neither the probability nor the consequences of various accidents and breakdowns were examined.

It is amazing that all the calculations for discharges were made for a 900-MW TETs, but the size of the land allocation and many other things have been designed for expansion of the TETs to an estimated 1,750 MW. There are also direct contradictions in the design. Thus, for example, the amount of the annual gross discharge was computed for burning 18,000 tons of mazut, but the overall mazut facility and the railroad track have been designed and is being built for the delivery of an estimated 910,000 tons of mazut per year. The characteristics adopted in the calculations for discharges were not confirmed by test data but by a socialist commitment of the manufacturer to improve these specifications in the future. As a result, atmospheric pollution has been computed for a certain ideal situation, even without consideration of Mosenergo [Moscow Production Association for Power and Electrification] operating experience.

The purification structures for storm drainage, which originally were placed side by side with the ancient temples, were not capable of purifying the petroleum

product effluent up to the sanitary norms, even under the design. Although the TETs was designed to be effluent-free, for some reason or other it was proposed to supply it with more water than any of the existing Mosenergo TETs's of similar capacity, which discharge an abundance of industrial effluent. The original water-purification scheme has raised doubts among specialists. Therefore, one cannot say how much polluted effluent will flow into the Yauza. In a day the TETs will "drink" up to 90,000 cubic meters of water—more than the volume of the Patriarshiye and Chistyie ponds put together. The startup of such new users of large amounts of water users will make construction of the Rzhnevskiy hydroengineering complex inevitable.

Almost the most expensive item in the budget estimate for nature-conservation measures is the confinement of the Sukromka River to a pipe. This is, in essence, an act of ecological vandalism.

The designers assert that the Severnaya TETs was designed better than other Mosenergo facilities. The saddest thing is that this is probably the truth.

And now, when the facility is being built and the public is protesting, Minenergo and the Mosgorispolkom are tossing out clichés: "Let us refine the design, we will make the TETs ecologically pure! We will go to any expense, but let's save the public's health!"

It is obvious that there is no sense in refining the design, which from the start was developed without considering the ecological, social, economic and urban-development consequences and without a serious study of alternatives. The maximum possible negative consequences were laid down in it back at the stage of selection of the site and the sources. The design did not contain a realistic forecast of these consequences, and it can be obtained only by conducting special studies.

It is proposed to try to reduce the intensity of a portion of the influencing factors through various expensive measures that are difficult to implement and will provide unreliable guarantees. The enormous resources that will be spent on that portion of the measures that will be accomplished successfully will occur under the item "improvement of ecological situation in the city," but in actuality will be spent on an attempt to remedy the crude errors and violations that were committed back at the predesign stage. For example, the book of refined data set forth a plan for increasing the supply of gas to the Severnaya TETs by reducing its share in the fuel balance of other Mosenergo TETs's. This gives the designers the official right not to take into account the increase in discharges during TETs operation on mazut, and, correspondingly, not to consider at all the large number of polluting substances. Changes in the discharges of other TETs's, in this case, naturally, are not being reviewed.

The notorious imported filters do not have, it is true, any guarantees of the basic possibility and the prerequisites for their operation together with the domestic equipment, and there has been no consideration of the definite

specifications or indication of the service life and guarantees of repair and replacement. It is proposed to equip two power boilers with the filters, but the filters still have not been provided for 1 power and 11 hot-water boilers. Another series of measures which have not been used previously in domestic practice has been proposed.

To conduct a large-scale experiment at the new capital TETs and, even more so, one to substantiate the possibility of its construction by the presumed results of the experiment looks like a mockery of common sense. A portion alone of the innovations will cost 55 million rubles. If the path of "refinement" is taken seriously, the figure will grow repeatedly, and there will still be no firm guarantee of ecological safety.

It has been said that a number of compensatory measures will be taken simultaneously with the TETs's startup: the closing of boiler houses, and the rebuilding of existing TETs's and RTS's [equipment-repair centers]. The creators of the Severnaya TETs consider that the results of air pollution in the zone affected will even be reduced. The designers have presented a surprising list of proposed measures without any kind of documents guaranteeing their implementation, without budget estimates, and without analyses that will confirm normalization of the total level of pollution by nitrogen oxide within the limits of the PDK [maximum admissible concentration] throughout the whole zone of the TETs's influence.

The Severnaya TETs's creators have one conclusion that would seem to be incontrovertible: it is a strong conclusion. There is no way out of the situation, for time has passed, and if we stop construction today, then Moscow apartments will be cold tomorrow. This is a crafty threat. If a timely examination of the whole system of energy production and consumption in the region does not reveal reserves suitable for quick use, reserves sufficient for meeting the urgent requirements of the city for heat, then there is a variant proposed by the expert reviewers of the RSFSR State Committee for Protecting the Environment—it is not optimal but it is acceptable in this situation. On the site allocated for the Severnaya TETs, a regional district-heating station of the minimal required capacity can be erected. This will enable time to be won for developing a new power-engineering program that corresponds to the long-term interests of developing the capital region.

The officials who are to blame for the fact that a design for meeting the city's heating requirements had been under development for 15 years, a design that allowed no choice and would inflict maximal harm on the citizens' health, should be severely punished. Otherwise, in the future we shall always be paying for the execution of unsuitable designs, taking it as a matter of course that there is no use in developing suitable designs.

City officials are now defending the Severnaya TETs design by all possible means. Deputy Mosgorispolkom Chairman A. Matrosov, in a MOSKOVSKAYA

PRAVDA interview of 24 December, indignantly rejected the charge that during the design and construction of the TETS a bureaucratic approach was manifested. The approach to design and that portion of the construction work that has been done can be judged by the results. But there are entirely new examples of the bureaucratic approach. Thus, about half of the members of the consultants' commission of USSR Goskomprody are paid from Minenergo funds or work in those institutions subordinate to the ispolkom that in one way or another helped to create and execute this design.

Since A. Matrosov, who answers for the "ecology," power engineering and forested parks, apparently considers that only Goslesfond [State Committee for Forestry] forests are included in the forested park protection zone, we are compelled to bring to the Mosgorispolkom's attention the fact that Moscow's LPZP includes forested, agricultural and other lands of the seven rayons of Moscow Oblast, and there are on its territory about 500 communities (let doubters consult the Moscow Encyclopedia and a number of decrees of the ispolkom itself touching on the LPZP). The LPZP was created as a buffer that prevents the merging of Moscow with suburban-Moscow industrial centers, as a zone for the citizens' recreation. Despite a multitude of Mossovet [Moscow City Soviet of People's Deputies] restrictive decrees, vigorous industrial construction is proceeding in the LPZP, partially at the initiative of city authorities, and the population for the past 20 years has increased 20 percent through the hiring of labor alone. And if these trends are not changed, then in 10-15 years Moscow will be merged with 20 cities of the suburban area and the LPZP will be completely eliminated. Construction of the LPZP TETS is one more big step in this direction.

Today, the dominant recurring theme of the interview for the ispolkom is, "the provisioning of housing is primary." From our point of view, the primary thing for the city ispolkom should be something else, and not just today: to ensure the integrated, safe development of the city, without which improvement of the quality of your lives and ours is impossible.

What worries us is the fact that the TETs, for the construction of which thousands of out-of-town workers have been recruited, has been allotted most valuable city land, has made a river disappear into a pipe, has removed trees, has raised anew the problem of timely acquisition of new water sources, and so on, acts which, in the words of its creators, are organically written into the city's Master Plan for development.

If the Master Plan and the housing-construction program were to be executed by such methods, and other parts of them support developments just as poorly substantiated and executed, then one should expect not a solution of the city's most painful social and ecological problems but a further exacerbation of them. If we create today all the prerequisites for extensive growth, then no kind of administrative prohibitions or decrees will prevent it.

Hydroelectric Power Plant Construction Update

Pamir-2 GES

904E0044A Dushanbe KOMMUNIST
TADZHIKISTANA in Russian 17 Dec 89 p 1

[Article by KOMMUNIST TADZHIKISTANA correspondent N. Dzhonbabayev: "Pamir-2 GES is Next"]

[Text] The site for the construction of the Pamir-2 GES [hydroelectric power plant], one of seven steps in the cascade of hydroelectric power plants on the Gunt River, has been determined ten kilometers downstream from the Pamir-1 GES currently under construction near the mining village of Boge. It will be built before the end of the century according to the approved plans for the electrification of the Pamir area.

Survey operations are concluding today on the site where the buildings of the Pamir-2 GES, as well as a nine-kilometer diversion tunnel, will be located. They are being conducted by a team of surveyors from the Central Asian Branch of the Gidroproyekt [All-Union Planning, Surveying and Scientific Research] Institute imeni Zhuk. It includes topographers, geologists, seismologists, geophysicists and other specialists. A large amount of work on driving the driftways and vertical rock drilling has been performed by the drilling and tunnel workers. They have to operate under difficult mountainous conditions on very rugged terrain.

The Pamir-2 GES, according to the assertions of the specialists, will be one of the most unique hydro facilities on the Gunt. The plant buildings will be located in a steeply sloping canyon. And that means it will not be necessary to take grazing lands, which are scarce here. The diversion tunnel will not disrupt the ecology of the terrain either. The Pamir-2 GES will have a capacity of 24,000 kilowatts upon completion of construction. That will doubtless be a solid support for the development of power-intensive types of production in the Pamir region.

Kureyka GES

904E0044B Moscow SOTSIALISTICHESKAYA
INDUSTRIYA in Russian 30 Dec 89 p 1

[Unattributed article from Svetlogorsk, Krasnodar Kray: "'Turnkey' Construction"]

[Text] The builders of the Kureyka GES have put the fourth unit of the second hydroelectric power plant in the Yenisey polar regions into service.

"The novelty of the construction of this hydro center consists of the fact that it is being conducted according to 'turnkey' methods," said the deputy general director of the Krasnoyarskenergo [Krasnoyarsk Power] Association, V. Khalupenko. "This has already led, aside from improvements in the quality of operations, to a reduction of a year in the time period for starting up the unit. And that is of no small importance—we will be able to

keep to the estimated level of investment for the facility and not have to ask for additional funds, as has happened before."

Baypazinsk GES

904E0044C Moscow IZVESTIYA in Russian
7 Jan 90 Morning Edition p 2

[Interview with USSR People's Deputy and USSR Council of Ministers Bureau on the Fuel and Power Complex department head G. Tikhonov by I. Demchenko under the rubric "Fact and Commentary": "The GES Was Built in 'Turnkey' Fashion"]

[Text] *Soviet hydroelectric power construction workers have for the first time turned over to a client a GES that was constructed "by company," in turnkey fashion, from the foundation to the installation and temporary operation of the equipment, as reported by IZVESTIYA staff correspondent A. Karpov in the Tajik SSR.*

The collective of the Tadzhikgidroenergostroy [Tajik Hydroelectric Power Construction] Association has economized five million rubles and a year of work in the construction of the Baypazinsk GES. It is guaranteeing the absence of unfinished work at the facility.

USSR People's Deputy and USSR Council of Ministers Bureau on the Fuel and Power Complex department head G. Tikhonov talks about the new method employed by the hydro construction workers.

[Tikhonov] A mechanism counter to the cost-is-no-object approach has finally begun to be operative this year in construction. The wages today are linked with facilities completed and accepted by the customer, and not with the amount of funds assimilated. The turnkey method of turning over facilities, in which everyone from the supervisor to the subsidiary worker has a direct vested interest in building as cheaply and quickly as possible, subscribes to this system as no other.

It is cheaper because half of the sum that was economized, for example, from the estimated cost of the Baypazinsk GES is at the disposal of the construction workers. The other half is returned to the state budget.

It is faster because the construction began through bank credit, and not through capital investments advanced by the state. Interest has to be paid on credit. According to the terms of the contract for the turnkey turnover of the facility, that interest, implicit in the estimate, is also at the disposal of the builders in the event of the completion of work ahead of schedule. And the converse is also true: if they are not confined to the allotted time period, they pay out of their own pocket. The construction workers themselves thus go to the equipment suppliers and hurry them along.

There is another factor as well, the vested interest of the construction workers in the most rapid possible start-up of the equipment: all profits from its operation before the turnover of the facility to the client are at their disposal.

[Demchenko] This portrait you have drawn of the construction workers, in my opinion, is not a traditional one: not only do they work quickly and cheaply, they themselves even go to the suppliers and operate the equipment skillfully for years.

[Tikhonov] The collective of the Tadzhikgidroenergostroy Association, of course, is an unconventional one in and of itself. It has experience in the holding of the joint competition with IZVESTIYA in the 1970s under the motto "Workers' Relay"—whence the excellent contacts with equipment suppliers. All of the hydro construction workers have operational experience: after the completion of installation, equipment is usually tested for 72 hours at commercial loads and only then turned over to the client.

The turnkey turnover of hydro structures will in general soon cease to be an event. About half of the GESs in the country are being built using that method today. The main thing therein is that there be no delays in granting credit and that there be a complete sufficiency of resources for it. We have already come to agreement with Minfin [Ministry of Finance], Gosnab and other agencies on that account. Turnkey facilities will be getting a green light.

[Demchenko] But can half the projects realistically be given a green light? Who will be getting the red light then?

[Tikhonov] Resources, including financial resources, must be invested where they will have the fastest return. All are seemingly in agreement on that, but things are not moving further than discussion here yet. In past years, projects were funded for which there were no more than 85 percent of the resources provided. They were deceiving themselves. And even the state-order facilities are not entirely provided with resources for this year.

Everything must be done, and everyone wants everything at the same time. And if we had a normal approach, by the way, this same Baypazinsk GES could be turned over in turnkey fashion in five rather than eight years. And it could be operating at full capacity for those three years. But they want the same thing here, there and everywhere—funds have been scattered across various facilities, and work where everything should have been set up is slowed down as a result. That is why, in the new statute on the turnover of turnkey fuel-and-power complex facilities that we are preparing in place of the temporary one, we want to stipulate without fail the right of the construction workers to the receipt of bank credit out of turn.

[Demchenko] When will that statute be taking effect?

[Tikhonov] In the first quarter of this year, I hope. I hope it turns out to be capacious and brief, literally a page—the basic terms—while the details are at the discretion of the contractor and the client. The builders will be granted complete independence in

planning their work—no fines for reserves above and beyond the standards and so forth. We think that will not be needed, since every builder will have a vested interest in the fastest possible recouping of funds invested.

Trade Union Plenum Debates Published

904F0051A Moscow TRUD in Russian 6 Dec 89 pp 2-3

[Excerpts from account of the Seventh Plenum of the AUCCTU held 4 December: "As the Elections Approach: The Position of the Trade Unions"]

[Excerpts] As reported, the Seventh Plenum of the AUCCTU was held 4 December and discussed the position and tactics of the trade unions during elections to republic and local offices in the government. Today, we are publishing an account of the discussion of this question.

The speaker was V.I. Korzhov, chairman of the Leningrad Oblast Trade Union Council. In my view, the agenda of today's plenum is a particularly urgent one in our country's life, the speaker said. The participation of the trade unions in the elections is a fundamental problem for us, an acute problem and a new one. I would like to say a few words about the practical effort being carried on in our region. We began it back in the summer, without waiting for the election campaign to begin. We had to take a position on a proposal of the Unified Workers' Front: Are Leningrad's trade unions in favor of election districts based on place of work or place of residence? This is a fundamental issue, it was discussed in a plenum of the oblsoprof [oblast trade union council]. Taken by itself, this is an attractive idea, but it has not been elaborated as yet, it raises a host of issues from the procedural and organizational standpoint. In our view, it is unfeasible in a large city. Straw polls were taken among the aktivi in enterprises, and we decided that all trade union candidates would run in geographic districts on an alternative basis. The final results of the fierce discussion of whether there would be districts by workplace in Leningrad or not were delivered by the extraordinary session of the Lengorsovet, which was held 29 November. Our positions were set forth in that session, and a majority of the deputies were against this experiment.

In beginning our preparatory effort, our point of departure was that candidates for deputy seats would be nominated in trade union assemblies. As is well-known, the new Law on Elections extended this right only to work collectives and elective bodies, beginning with the rayon structure. We therefore had to reorient our activities somewhat. Coordinating councils, in which chairmen of raykoms and the largest enterprises have today undertaken preparation for the elections, were created and are now active in the oblast. Nominations to seats on soviets at all levels are discussed in advance jointly with work collectives, contacts are established with city and rayon party committees and ispolkoms. In a city, these tasks have largely been taken over by the trade union obkoms of sectors and branches, which are interacting with council entities. The trade union committees are engaged in preparation for the elections.

On the basis of zonal trade union courses, we are organizing a 5-day seminar for our future candidates. Its

curriculum covers the essence of all the problems, political and economic, both within the country and also in the local district, which are disturbing the workers. We feel that this will make it possible for our candidates to formulate their programs more clearly, and the oblsoprof will be better able to draft its campaign platform.

Activists are engaged in intensive consultations and meetings, since our platform, adopted 1.5 months ago, is being discussed everywhere. Additional work is being done on it, and by and large it has received support. We incorporated in it the positions taken by the Sixth Plenum of the AUCCTU and noted the acute problems of the region. I am referring to the trade sector, everyday services, and construction. We not only criticize, we also make constructive proposals. Incidentally, one of the most crucial issues in the city is the position of the trade unions on the prices of the products of the cooperatives. Back in September, we sent a request to the Lengorispolkom that prices of the principal consumer goods of cooperatives be at the level of state prices in Leningrad. We were not supported. Today, on 4 December, a session of the Lengorsovet has opened at which we have presented the same demand...

Many people are now saying of us that we are trying to push "officials" onto the soviets. This is not so at all. We explain that these are not officials, but workers, engineers, representatives of the intelligentsia, of all the workers. The main thing is that these people stand for the platform of the trade unions, the workers' interests. Incidentally, the present series of report and election meetings is helping us to find such people. It has revealed many new names, real labor leaders, people who think, people with initiative, people able not only to see the problems but also to propose new and unconventional solutions. We do not reject the possibility of interaction with all public organizations, including the People's Front and the Unified Workers' Front. Everything will depend on whom they nominate. If the candidates' program coincides with our positions, that means that we will support them.

Vigorous participation in the elections is not, of course, an end in itself for us. We must have a clear awareness of how complicated the present situation is and take that as our point of departure. At all levels, people are scrambling for government positions, even those who are ready to divide society into the super-rich and super-poor. And the only way they see out of the situation that has come about is an economy based on private principles. That is why we fully support the position of the Leningrad party organization set forth in the unified plenum, and indeed at the rally, which received a mixed reaction in the city and the country.

We are in favor of perestroika with all our heart, but only on a socialist basis.

[passage omitted]

S.U. Kallas, chairman of the Estonian Republic Trade Union Council and member of the USSR Supreme Soviet, said in his speech:

"I became a people's deputy of the USSR after a fierce, but free and open, struggle, a political struggle in a geographic district, so that my views of participation in elections are a bit different. We see ahead of us the renewal of society and the development of society into a new phase in which all people will express their political views through various political movements, through elections in which many candidates are nominated.

"The trade unions, which must find their place in society, also see transformation ahead. They must be voluntary, not mandatory as they are now. Which means we face a struggle ahead for trade union members. And that is why it seems to me that we need to advocate vigorously the socioeconomic needs of the workers, not recast the union as a political party. I am also one of those who believes that the approach is probably better for the trade unions by definition not to take part in elections as a political party which nominates its candidates and carries on a political campaign. Otherwise a real possibility of a split arises, as has already occurred several times in the history of the trade union movement, including in the history of Estonia before the war.

"The trade unions need to be depoliticized and need to really concern themselves only with their own work. What else is important? Many people say: If we do not have our own candidates, then who will protect the interests of the trade unions? But almost all the members of the Supreme Soviet are trade union members. If the trade unions are strong, then let the Supreme Soviet or local soviet just try to ignore the wishes and demands of the trade unions. But if the trade unions are weak, then even deputies who come from the trade unions will not help.

"One more important point. When trade unions become involved in political struggle as a political organization, then our deputies, who will begin to take part then in standing political bodies, will join the others in sharing responsibility for many very complicated decisions which lie ahead in the economy. It is very important that the trade unions maintain a position of constructive opposition in the economy so as to express only its own views and defend them with its own methods."

What the report said about ethnic contradictions, the speaker said, is important. When we become directly involved in political struggle, then we carry these contradictions over to our trade unions. But we have to build interethnic relations on a unified platform of socioeconomic transformations. But when we enter into elections, we immediately have a conflict and no concerted action is achieved. That is why I think that the future of the trade unions does not lie in political struggle—let that continue to be the business of the political party and political movements, but in the protection of economic interests and social welfare.

[passage omitted]

V.S. Stroganov, secretary of the Moscow City Trade Union Council, said that the preparation for the upcoming elections consists of more than simply various organizational and propaganda measures, but above all of specific acts visible to the workers. Today, we have to take into account that our voters have begun to gain a better understanding of slogans, programs, and promises.

In the trade union council plenum in June, we defined for ourselves a program of action to carry out the trade union campaign program in connection with the elections. It includes measures to speed up performance of the housing program, to improve trade facilities and everyday services for collectives, and to solve problems of the environment. All the city's branch and sector trade unions have taken an active part in discussion of the draft plan for economic and social development in the coming year. The specific results of the effort of the city's trade unions include the 85 million rubles allocated to develop the city's health care facilities financed by the reduction in the morbidity rate, and the 1.2 million rubles allocated to help low-income families with many children and pensioners who are alone and are not well-off. We consider it important that we make the workers, the public, and the trade union aktiv better informed about the specific acts of the trade unions.

In accordance with the plan for preparation for the elections, then, we have made it a practice of holding monthly meetings with editors of factory newspapers and local radio stations, we "appear" on Moscow television, and we are making more active use of the city press. A city trade union discussion center has been organized, culture centers and clubs have been designated in every rayon to serve as trade union action centers. But today this clearly is not enough. We constantly come up against the fact that the workers are not merely poorly informed, frequently they are even misinformed about the position of the trade unions. And it seems extremely necessary that trade union members receive information as promptly as possible about the position of the AUCCTU and other bodies of trade union leadership on the most acute problems.

We might cite as a good example the timely publication in TRUD of the interview with the AUCCTU representative concerning the decisions made to stabilize the consumer market. I consider it important that the workers know about the position of the AUCCTU Presidium on draft laws. Otherwise, the vacuum is, of course, filled with other opinions and other assessments. Perhaps in the appeal which we will adopt today we also need to express our attitude toward such draft laws as those on ownership, pensions, and vacations?

Today, the trade unions have come under the fire of criticism. Not only because profkoms and primary organizations have been lagging behind the processes taking place in society. All of that is true, of course. But

previously such shortcomings were given a stock sentence in the next report if anything. No, the trade unions have come under the fire of criticisms precisely because of the first step to serve the interests of the workers, because they have tackled their own job, and have not remained at the level of philanthropy.

There are many people today who are not happy about the politicization of the trade unions, which is actually taking place. And how is it to be avoided, if the economic and social interests of the workers are really to be protected? People give us the example of the Western trade unions. But not a single self-respecting political party can operate without support of some trade union. In many parliaments, there are seats designated for trade union leaders. We are constantly being criticized, but somehow there is not much discussion of the speeches and programs coming from various informal structures, including the so-called interregional association of democratic organizations. I think that the broadest masses of voters would figure out who is taking what position.

Our trade union campaign program should be more differentiated. The interests of particular occupations and social groups should be singled out. It is obvious that there is a need to support as a whole the aspiration of the workers to form associations and other occupational groups within the trade unions. It seems important to pursue more obviously the thesis of the need for unity in action of all the trade unions and of their sector and regional entities.

[passage omitted]

The discussion which we are having today in the plenum of the AUCCTU is very important, said S.S. Yevtushenko, secretary of the Ukrainian Republic Trade Union Council. We are putting questions to ourselves: Have we made all preparations for the elections, what conclusions have we drawn from the last election campaign, what analysis do we have ready to hand? There are many questions, but, you will agree, there is actually no time for analysis: neither for trade union officials, nor our institutes, nor our scientists, nor our center for the study of public opinion. I think that the lack of flexibility in the actions of trade union entities, beginning with the AUCCTU and our own republic body, has had the result that in preparing for this large campaign we have been unable to break the tradition of holding meetings for reports and elections. We have occupied the entire trade union aktiv with the settlement of organizational questions within the trade unions. And now that the formation of government bodies at the local level and in the republic requires an everyday effort within work collectives, right on the sharp edge of events, when we need to demonstrate and prove our right to exist, we are preoccupied with preparing and holding trade union conferences and complicated conferences at that. When the leader of a trade union body is not always assured, as they say, of whether he will "be" or not "be."...

We need discussions, thorough theoretical materials on the activity of trade unions in the new situation. At present, the trade union press is very timidly "growing up" at the local level—like grass coming up through slabs of concrete. The newspaper TRUD and SOVETSKIYE PROFISOYUZY must give them more help.

We are talking now about trade union candidates. But practically all workers in the country are trade union members. This means that we must pay attention to each candidate. We, of course, have to examine whose interests he will be defending, and how he will do it. It is important to enhance in every way the prestige of the trade unions, to take clear-cut and firm positions on those things that pertain to the independence of our organization, seeing that it effectively reflects the interests of the workers and becomes a real sociopolitical force. Only in this way will we be able to help our candidates and support those who will take up as weapons the provisions of our programs and prove their ability to carry them out.

I would like to dwell on the coverage (glasnost) given to the work the trade unions have done. In past elections, we fell short, essentially we fought only for 100 seats and neglected the election districts. Now, in our republic alone there are 360,000 election districts for elections to local soviets and 450 for elections to the republic's Supreme Soviet. Glasnost is extremely necessary, and that is why we are preparing to use the press, beginning with factory newspapers and going all the way to leaflets. A new press center and news center have already begun operation. We intend to use the news bulletin during the election campaign to get the news out fast. The publishing house of the trade unions could also be set in motion. We need small bright posters and leaflets that would reflect the various positions of the trade unions and the experience of the republics. The main thing is to see that our ideas are realized in every specific area, so that every trade union member feels this.

The floor was given to M.A. Srebnny, chairman of the Central Committee of the Trade Union of Coal Industry Workers. The adverse experience which our trade union has had, that is also experience, the speaker said. We held the Eighth Plenum of the Central Committee of the trade union, where we discussed the question of convening an extraordinary congress at the end of next March—considerably earlier than assumed. It is, of course, a question of intensifying the multifarious activity both of the sector trade union and, of course, of our country's trade unions as a whole. The last time we were electing USSR people's deputies from the trade unions, the speaker remarked, we devoted all our attention to those 100 people. If today we take a passive attitude toward local elections, it will not work. We need joint efforts of both the sector trade unions and trade union councils so that a majority of our activists are elected deputies.

The strike in Vorkuta has demonstrated that the renewed trade unions are not limiting themselves to economic

demands alone. It has been stated both in the report and also in the bylaws which we have written that we stand for the economic and juridical rights of the workers and we renounce political demands. But sometimes economic problems spontaneously pass over into politics. One need only take an example from real life. At Vorkuta, a majority did in the end vote for political strikes. At first, economic issues were posed, then new demands arose, in addition to those that were incorporated in Decree No 608. And then also demands prompted by members of the academy, by economists, by lawyers, by people who arrive from Kazakhstan and certain oblasts of the Russian Federation, from Leningrad, from the Baltic republics. The miners were "processed" in the literal sense of that word. I think that if we knew how to do this the way the other informal organizations do it, success would be assured us in the elections to the local soviets. That cannot be counted on either. In Vorkuta, three mines went back to work after 20 days, and one mine struck 35 days. Why? Well, because the officials of informal organizations there were "processing" groups of workers in that direction.

In conclusion, I would like to appeal to my colleagues in central committees and trade union councils to restrain their passions. I would not say that we are involved in a mutual struggle, but some kind of struggle is nevertheless going on. We have spent a great deal of time on this. Let us unite our efforts, then—perhaps for a time, but it would be better if it were forever—in performing our main political task—electing our own worthy activists people's deputies and building truly renewed trade unions.

[passage omitted]

The tactics and position of our trade unions during the upcoming elections are being defined, said M. Moldakhmetov, chairman of the Alma-Ata Oblast Trade Union Council. He agreed with what other speakers had noted: the question had been put up for discussion by the plenum later than it should have been. We did not receive in time the recommendations which are so necessary and which are indispensable to everyone. But in spite of that, we have not been just sitting around at the local level: we have worked out a plan of our own action, and we have carried on a certain effort together with trade union organizations.

A group has been created in the oblsoprof to coordinate organizational and propaganda efforts of trade union committees, which in contact with party, soviet, and other public organizations have been talking about possible candidates for nomination to local soviets even before the boundaries of districts were published and have been explaining to the trade union aktiv the essence of the Law on Elections, the rights of trade union bodies and work collectives in nominating candidates, and the forms and methods of fighting for deputy seats. To that end, we made extensive use of the trade union assemblies for reports and elections and conferences in primary and sector trade union organizations.

A platform of the oblast's trade unions was drafted with the help of obkoms and profkoms; it has been approved by the sovprof plenum and has been published in local newspapers. One of the main goals in the present election campaign is to expand the number of trade union representatives of the oblast in soviets at all levels. There are 310 trade union activists and full-time trade union officials registered as candidates for seats on local soviets of people's deputies. I am, of course, far from the idea, Comrade Moldakhmetov said, that the voters will necessarily give a vote of confidence to all of them. At present, there is a difficult struggle being waged in all our districts. There are more than two candidates for each deputy seat. Whether we win or lose this important political campaign depends largely on how convincingly we are able to prove to the voters that the trade unions will be steadfast and consistent in defending their interests. We are also seeking contacts with those candidates who share the platform of the trade unions.

"I would like to say as a manager in the economy," V.N. Shershnev, general director of the association "Baltiyskiy Zavod" (Leningrad), began his speech, "what is disturbing us more than anything else. Discipline in the workplace, the workers' responsibility for their work, is continuing to decline. This means that the authority of the management is also declining. And we have to say outright that the state of the economy is deteriorating every month. We need to turn the attention of collectives above all to our own relations within the workplace. It is no secret that wherever the work force, the management, and the trade union organization share a common understanding of goals, the results are good. But at present in enterprises, as I see it, the decisions of the Sixth Plenum are not understood altogether as they should be, and indeed some of its decisions are in our view debatable (this is also the opinion of my colleagues). First of all—we are somehow rapidly leaving the workplace. It is as though guaranteeing fulfillment of the collective agreement is not the business of the trade union. No one denies the importance of the trade union's protective function. But I feel that the main protection of the workers is an enterprise that is performing well, an enterprise that affords an opportunity to work normally, to earn good money, to build up the indispensable economic incentive fund, and, of course, to use them properly. And that is why I would call for yet another examination and appropriate clarifications to be issued to trade union organizations precisely concerning their participation in the work process. In the recent trade union assemblies, a kind of confrontation among the management, the trade union, and the workers was clearly felt. I feel that what we need now is a consolidation of healthy forces—the management, the trade union, and all the workers.

"And another issue. We have been talking about protection of the workers. But the management is also made up of workers, of trade union members. Now as never

before the management also needs protection from those who are acting to disorganize production. This will benefit our common cause.

"And the last question. I feel that the management and the trade union must work together so as to support truly effective candidates in elections to deputy seats."

[passage omitted]

S.A. Shalayev, chairman of the AUCCTU, delivered the concluding speech.

In view of the proposals that were made, the plenum adopted an Appeal of the AUCCTU to Trade Union Members and All Citizens of the Country and a decree entitled "The Position and Tactics of the Trade Unions During Elections to Republic and Local Bodies of Government."

Labor Problems, Strike at Severouralsk Bauxite Mines Analyzed

904F0047A Moscow SOTSIALISTICHESKAYA
INDUSTRIYA in Russian 5 Dec 89 p 2

[Article by L. Pertsevaya, special correspondent, Severouralsk: "Out of the Charmed Circle: The Experience of an Economic Survey"]

[Text] When the strike began at the Severouralsk Bauxite Mine, and the entire shifts of miners of all five mines refused to come to the surface, the entire world tried to bring them to their senses. There were the representatives of USSR Mintsvetmet and of party committees, from the mine itself up to the oblast, the Sverdlovsk committee, and representatives of the metallurgical industry they work with arrived.... And in the mine's mimeographed newspaper ZA BOKSITY, along with everything else they published a telegram from workers of the Norilsk Mining and Metallurgical Combine. Aside from an appeal to go back to work, it also contained this passage: "You have fallen for the propaganda of irresponsible people.... Although we were slow to do so, we have become aware of this and have come to understand the need to apply economic sanctions, including dissolving the labor contracts of those who have been standing in the way of the collective's normal activity."

In other words, the people from Norilsk, who by that time were carrying the strike on their shoulders, were calling for them to discover the ringleaders and send them away from the mine without delay. The telegram had the opposite effect: the miners were upset and demanded guarantees that there would be no singling out of instigators and none of the strikers would suffer. That promise was made to them, and the difficult negotiations took their normal course.

That happened back in the spring. Since that time, the flow of bauxite has been interrupted from the SUBR to aluminum plants in the Urals. The debt incurred during the strike has long ago been covered. Some of the demands have already been fully met, others partially,

and still others are disturbing the miners just as they did before. Another reason why the situation remains rather tense is that the half-measures and partial concessions did not take care of the main problem. I have met with representatives of the strike committee (they are now part of the new workers' council), and I became convinced of their determination to continue the struggle until they win. They will wait for the end of the year, and they do not preclude the possibility of a repetition of the incident in the spring. The ringleader-instigators? In the stormy meetings that quickly took place in all the party organizations of the mines concerning the results of the strike, they were actually looking for the guilty parties: among the production crew leaders and ordinary rowdies, managers and ministry employees. Gradually, this discussion also came to nothing. It seems to me that this is proper and justified. If one is to look for those who provoked the strike, they should be looked for somewhere else and perhaps in another time.

The Syndrome of the "Fortress Under Siege"

I do not know what is the source of pride for bauxite miners in Australia, France, or somewhere in Guinea, but for a long time the miners of Severouralsk have been proud of the problematical mining-geological conditions for working the deposit. This fact has been repeatedly emphasized in scientific articles, in papers delivered at various conferences and meetings, in popular sketches and specialized monographs: the high amount of water, the deeply inclined position, and instability of the ore body....

I have had many occasions to visit the underground mines of the Severouralsk Bauxite Mine, and I have a good idea what lies behind these dry statements. The face workers haul the frozen timbers up steep drifts for support, and from the roof there is a shower of rain, knee-deep puddles underfoot, the water washes away the bauxite and turns it into slurry—a thin gruel. To make matters worse, if in tunneling the drifts a large cavity is encountered, it will be a cavern filled with water.

The mine's 50-year history is a chronicle of flooded levels, shafts, and entire mines; this is devastating arithmetic running to millions of rubles of losses in accidents when the water breaks through and many millions of outlays for drainage.

In recent years, as mining operations have declined, and there has been a considerable growth of the empty space underground (mountains of ore and country rock have, after all, been raised to the surface over the decades!), the mining pressure is discharged in the faces by sudden underground earthquakes. Here, they have come to be called mine shocks, attempts are made to forecast them somehow, to anticipate them. Once again millions of rubles for a seismic station associated with the mine, to finance the special department, and for preventive mining operations. The outlays increase, but there is also a more terrible computation of the losses: the terrible

pressure has already taken more than one miner's life. It is a rare month in the mine that goes without deaths.

Specialists have told me that even in the years when bauxite was mined by the open-pit method in the Northern Urals, scientists expressed great doubt that the ore could be mined here by the underground method. This storehouse was too tricky. The predictions of the skeptics have been borne out with every step taken deeper into the bowels of the earth. But the more tragic and sizable the losses, the greater the enthusiasm, it seems, of the tamers of nature. The slogans multiplied, were generalized, and became an economic category and arguments for the mine's development.

The country needs airplanes—aluminum—bauxite, and no one will provide it if we are not able to wrench it away from crafty nature! What if the Vagran River penetrates the mine through karstified limestone? We will dress it in concrete! A kilometer of the streambed costs 1 million rubles? But that is insignificant, after all, we have no other way out.

This was the economic psychology of the time, the syndrome of the "fortress under siege." But more accurately the strategy of a state that had decided to develop solely on the basis of its own resources, solely by its own efforts. There was no comparative calculation made as to how much a similar raw material would cost on the other side of the cordon. The people "there" might do us a bad turn, deceive us, stop deliveries at the most difficult moment. We could rely only on ourselves! The world was developing by the laws of integration, mutual assistance, and division of labor, guided at the same time by economic expediency. We lived in spite of those laws and were extremely proud of the "resistance of the material."

That was also the case of the Severouralsk bauxite deposit. The decision was made to develop it without taking into account the costs, and not far away, at Krasnoturinsk and Kamensk-Uralsk they built two plants before the war in an incredibly short time; their technology was aimed at obtaining only aluminum from the bauxites in Severouralsk. Nor did this narrowly specialized solution of the problem surprise anyone. Who at that point was calculating that this reddish ore contained more than 40 elements, in addition to iron—the rare earths gallium, vanadium, and titanium? They went into the tailings together with a sizable share of the unextracted aluminum, and tens and hundreds of hectares of slurry fields were scattered alongside the plants.

You are producing aluminum! What do we care about the price! Time passed, and the psychology did not change, the deposit was still considered strategic, since at that point missiles, satellites, and spacecraft loomed up behind it. New mine shafts were built, new drainage installations, and at Krasnoturinsk in the seventies construction began on a new alumina shop which in its capacity represented a second plant. The geologists promised ore at a depth of nearly 2 km, and when the

designers, adding up how much the production would cost there, were awestruck with enthusiasm when they mentioned the fantastic figure.

The Most Inexpensive Resources

The aluminum delivered to the economy was expensive, but it would have been still more expensive if the interests of the people working the mine had been taken into account. After all, all of these astronomical sums were devoured by the Moloch of production; it ground up even "human resources," those whom essentially had been refused the name of human being. No essay is going to convey what their existence was like. I was born and grew up in these parts, my father would come home in clothes red with bauxite.... I remember the railroad right-of-way red with ore and the milky color of the stream near the house—it was dyed with the water drained from the mine. I also remember the funeral of miners who had been pulled out from under a pile of rubble. People belonging to 30 nationalities worked in the open-pit and underground mines, people who had not come here through their own will, to the foothills of the Denezhkin Kamen, always covered with snow, people of all stripes and political currents who had been exiled and transported. They cut down trees to make houses for themselves, they planted potatoes, they raised livestock, and they survived, everyone as best he knew how. There was no question about whether the state paid them much or little for their back-breaking labor and daily danger, they were allowed to live, and that alone was considered a merciful blessing. It was not to be compared with the outlook of a free man.

But as society weakened and relaxed, the miners also gradually straightened up their backs. Some were given the long-awaited opportunity of returning to their native regions, and they went away, and others acquired a voice. Unrest occurred in the Severouralsk mines even during the years of the stagnation: because of empty shelves, delayed payment of wages, conflicts with the management. The social costs were involuntarily added to the production costs. What could be done! The mine was justified by the interests of the defense sector, which had priority in our economy, by the tacit influence exerted by the military-industrial complex. In Severouralsk today, they even have better housing than the coal miners do, and the social, cultural, and everyday services are more solid. The management of the mine was convinced of the principle: obtain resources for expanded reproduction, and it would be no problem later to organize employee facilities, the main thing was solid justification for the outlay. This was in fact the task of the army of administrative personnel, which grew from year to year. And at the upper levels of the ministry administration all the requests and justifications were accepted with an unusually uncritical attitude. In the final analysis, the bureaucrats of the main administration and of Mintsvetmet were taking no risk whatsoever that their wages would not be paid because of the loss.

Who for that matter even noticed the loss! This was like a reckless game without technological substantiation or engineering calculations. Raise labor productivity? We will buy machines! And self-propelled equipment went into the mine—Swedish, Polish, Finnish, French, drilling equipment, loading and unloading equipment, transportation equipment. All colors of the rainbow, dozens of different models and types. Even though the technical specifications for many of them would have made it possible to conclude that they would not be suitable under the mine's complicated mining-geological conditions. (For example, a machine could take a slope of only 8°, but in the mine the slope was as high as 45°.)

They tested them, and they applied them by the method of trial and error. They would bring this kind of imported dinosaur to the mine, but it would not fit into the supply shaft. They would cut it into parts, lower it down, weld it back together, but it could not turn around in the stope. They built special inclined shafts to lower them into the mine, they had underground repair garages, compressor stations for machines with pneumatic drive, and ventilator shafts for the diesel engines. And all of this ran to millions and millions of rubles spent.

Yes, some of this stream did stay on at the mine, the work of the miners was made easier by small-sized and reliable machines like the Swedish "KAVO-511." But even those that were cut up for scrap by the welder's torch, those which rusted in the parking area, or those which carried manure in the subsidiary farming operation, however, had a destructive annihilistic impact on their work. The miners would add up how much money had been sunk into worthless mining operations, into equipment unsuitable for the conditions of the SUBR, and in unfinished construction, and they reasoned: "The state is strong if it can throw away millions so generously!" And it is especially shameful in this connection that they always had a shortage of gloves, that they issued warm underwear only to honored guests to make an exotic trip underground, that the special clothing never served out its rated life....

This time as I approached the familiar "Cheremukhovskaya" Mine (almost my own!), I again went down to the lower level in the tinkling and completely rusty car, I saw the same antediluvian winches in the drifts and the same hammer drills at the faces.

"Let Us Fight Together"

Of course, the first wave of dissatisfaction inevitably had to come crashing down on the small-caliber managers, the offenders closest to hand. They had organized, you see, a luxurious administration building for themselves with five stories, they had cultivated nepotism in the offices, the salaries were inflated, they were unable to talk to the workers and did not wish to. They rush from floor to floor with nothing serious to do, and you get the runaround. Thus, they became exasperated in Mine No 15 because of a woman who was a severe rate-setter and

who herself received more than any brigade leader, because of torn work clothing, because of unfair output quotas.

But the striking thing was the unanimity of support for this outburst of resentment by one shift displayed by all the collectives at once, the readiness, the fear, and at the same time the long-awaited relief when they all rushed into the mine, to SIT OUT their first real strike. With what speed, like an avalanche, the list of demands grew, how the strike committee gained strength and confidence.

And then the most interesting thing occurred: engineering and technical personnel of the separate mines and of the entire mine somehow very quickly also ended up on that side of the barricade. Not only the association's chief engineer P. Matveyev, the chief of the "Cheremukhovskaya" Mine A. Popov, but also many others enjoyed the full confidence of the workers and helped them to frame their demands and put vigorous pressure on the ministry bureaucrats, who were defending themselves. Additional financing for the mine's development and a wage fund had to be obtained, the halt of construction of the "Novokalinskaya" Mine had to be rescinded, they had to be forced to reckon with the SUBR, as has always been the case! And then this strong and powerful support from below....

V. Neustroyev, secretary of the party committee of what is now the Production Association "SUBR," told me with what was even a certain resentfulness: "The mine has always been given as much from the state budget as was required, for everything! And now they say—make the transition to cost accounting. But that means that all costs then have to be taken into account and prices adjusted so that there is profit. Today, of course, it is more advantageous for them to import bauxite from Guinea, but what about us? There is nothing left but for the party committee to head the strike the next time." Nor was it without bitterness that V. Potylitsyn, the mine's director, mentioned the bauxite imported from behind the cordon from Greece, Jamaica, and Guinea. And again one heard the unstated question: "But what about us?"

At present, there is no answer to that question.

Let us return to the strikers, who for 5 days had not seen the April sunshine and who were sitting at the mine faces hungry and angry. They wanted to be properly paid for working at night, for the time it took them to walk from the cage to the face, for the vacation to be more authentic, and for wages and pensions to be more substantial. There were many literates among them with secondary technical and higher education, and they knew quite well what percentage out of every ruble of marketed output the capitalist pays his worker and how much our state pays them. And they will also figure out very quickly that it is the state that pays, not the mine management and not the ministry. (They see after all that today the striking coal miners are not demanding

that the mine chief come to the negotiations, but a representative commission of the state, the true Owner of the mining enterprise and of their particular mine.)

Did you know what decision the Owner made concerning the Severouralsk strike? It increased the annual wage fund by 2 million rubles all at once. Signs were immediately set up in the mines stating in big letters: now the wages of specialists and of the mine chief are no higher than that of the worker. Just the way it should be!

And They Set the Barometer on "Stormy"

The prospects for the years to come were indicated in still simpler fashion: spend as much as necessary, we will provide the necessary subsidy. The only difference from the procedure in past years is that the requests are not being paid for with an advance, but with money that has actually been spent. Thus, the cost-plus mechanism has been given supreme sanction and blessing for an indefinitely long period of time. The managers will be concerned with the same thing they were concerned with in all the previous years. And the workers for their part will be effective pushers (with strikes or preliminary ultimatums) for adjusting these "calculated warranted requirements" to their own advantage. At this point, the search can end for the person who provoked the strike movement.

But can we all be satisfied with this pattern of events, which results in economic arrhythmia with inevitable material costs and a continuous social confrontation? I think that the answer to this question is unambiguously negative both from the strikers and the members of the government and representatives of all other strata of society. But then another more important and the most important question arises: How to break the movement by inertia in the old rut and give the mining enterprise true economic independence and unconditional efficiency?

The leaders of the workers' council, A. Kondrashin, V. Chezganov, V. Sanin, and A. Kalugin, have no constructive proposal on this point, although they told me at length what they intended to fight for. What they enumerated did not constitute an intelligible program, and some of the demands seemed even quite dubious. For example, the miners declared that they did not need samplers underground, and then they themselves were puzzled as to who was to receive complaints about the quality of bauxite heavily larded with limestone? How was the "contribution" of the slipshod brigade to be determined in the common pile? Yesterday's strikers could not explain clearly why they were demanding a reduction of the administrative staff by precisely one-third, no more and no less. On the basis of what expert assessment were they demanding that relations be broken off with scientific research institutes? Why should the responsibility of the line management be greater, but the wages less than those of the rank-and-file miners? But even if all the individual complaints were justified and fulfilled, they would not resolve the most

important problem. Let us look at things soberly: the workers could not in fact claim to have devised a knowledgeable and fundamentally new program for development of the mining enterprise in coming years and for decades to come. They themselves were aware of this!

The director of the Production Association "SUBR" V. Potylitsyn and his management staff also have no motivation to look far into the future, and they see no other solution to the problem than to raise the price per ton of the raw material from 25 to 64 rubles. After all, 80 million rubles are needed every year just to maintain the mine's capacity. He appears to give not even a thought to a possible reduction of costs, extraction of additional profit from the production complex that is already in place. In this situation, a manager at any level is just a hired worker operating within the limits of fixed wages. What benefit or motivation does he have personally in increasing the profit? People have one idea in their minds: preserve everything as it has been—their own positions, their wages, and the world around them.

It would grieve V. Potylitsyn to reduce the size of the staff; after all, in Severouralsk the entire lives of the adult population revolve around the mine; where would they go? For the same reason, the volume of industrial construction cannot be reduced—the personnel of the Trust "Boksitstroy" should not be scattered. It is also too bad about geological exploration in Severouralsk—of course, the team's activity has been shrinking year after year, but how can one raise one's hand against the collective? It is easy for economists to give advice in abstract terms: "Change the orientation of the people displaced toward the production of consumer goods!" In actuality, they will all stand stock still, benumbed with fear, until they retire. Forget about retraining, they will sit out the disturbance.

"And bauxite from Guinea, for which the only outlays are the shipping expenses, costs \$28.50 per ton," Vitaliy Alekseyevich concluded his sad discourse in an altogether hopeless tone of voice.

A Boss Is Needed

So, first of all, 64 of our rubles are still less expensive for the state than \$28 in foreign exchange, so that the cost competitiveness of Ural bauxite must not be evaluated so hopelessly. Second, all the benefit has not been extracted from our ore, just recall the man-made deposits around the plants—the exceedingly rich fields of slurry. There is also good reason to think about subsidiary operations in all the phases of production, of more optimum use of personnel. There has long been talk that an association "Uralaluminium," which might include the mining enterprise, the trust, geological exploration, and the aluminum plants, would be capable of solving the problems they have in common comprehensively. This would also give rise to the realistic possibility of counting up the grand total of costs of producing aluminum from the bauxite in the Urals that is so

inaccessible, costs which are scattered now over various departments—the USSR Ministry of Geology, the RSFSR Ministry for Construction in the Regions of the Urals and Western Siberia, and the Ministry of Metallurgy. And to solve the problem in the light of the new integrative policy: Is there any justification for the existence of the mining enterprise together with service organizations and enterprises, or should aluminum production in the Urals gradually be shut down together with the outdated, environmentally harmful, and technologically dangerous aluminum plants?

This idea was discussed this July in a joint session of the interdepartmental council of the Urals Branch of the USSR Academy of Sciences for problems of developing the mineral resources of the Urals and the technical council of the Production Association "SUBR." But the

discussion must have remained no more than a discussion, since at the very top echelons of the administration the decision taken was quite different: Now that USSR Mintsvetmet and the Main Administration "Soyuzalyuminiy" are being liquidated, the Association "Soyuzalyuminiy"...is to be created in the new USSR Ministry of Metallurgy. They will all be there: the aluminum production operations in Bratsk, Uralsk, and Nikolayev, using all forms of the raw material—imported and domestic. The costs would be averaged out, the benefit would be averaged out, an existence based on past achievement and measured against past achievement....

How to break out of that system? Who, what energetic team will finally undertake to break the charmed circle and with what kind of motivation? And can we count on an answer to that question coming to maturity in the strife of a strike?

ORGANIZATION, PLANNING, MANAGEMENT

Silayev on Economic Recovery Program

904G0017A Moscow PRAVITELSTVENNYY
VESTNIK in Russian No 1, Jan 90, p 6

[Article by I. S. Silayev, Deputy Chairman of the USSR Council of Ministers and Chairman of the USSR Council of Ministers Bureau for Machine Building: "There Will Be No Hothouse Work Environment"]

[Text] Is it necessary to explain how nervous all of us members of the government were during the vote on the draft program for improving the economy? For it could not be guaranteed that the Congress of People's Deputies could not reject it—unexpected turns of events have become a reality of life today. And the program was presented at a time when an extraordinarily complicated situation prevailed in the national economy. This means that the government's concept, on the one hand, could not help but contain certain restrictions, at least temporary ones, and, on the other, it should contain not simply convincing but also lucid arguments understandable to all.

And still, despite the tribulations, we believed in the correctness of the concept presented and we hoped that, despite sharp polemics, the fruit of our collective wisdom and work would be deemed meritorious by the deputies. Of course we were satisfied that that is what happened, but this does not at all mean that the stands of the opponents and their sound arguments were completely swept aside and had no right to life. One must not think that the program set a limit on the discussions of optimal paths to improving the economy.

But today it is necessary above all to be concerned about implementing specific provisions of the document. The task is not simple, it requires of each member of the government a maximum degree of organization and consistency. Adoption of the appropriate legislation in support of our work will be important and timely, but hoping for hothouse conditions would be the height of naivete. As N.I. Ryzhkov noted, we members of the government, 68 in all, and each person, should realize fully that measure of responsibility and trust that rests on our shoulders. They can be lived up to only by effective actions in restructuring the national economy.

The government now is in the public eye, and each step is an occasion for public assessment. This is difficult and unusual, but there are positive aspects to such a situation that we are beginning to feel—the possibility has appeared to approve, openly and by argument, the wisdom and necessity for proposed decisions, to explain the reasons for them, and to convince people that life itself and not just some wish compels them to adopt. It was a completely new situation, which was manifested clearly during the work of the second Congress. At times the thought has crept in: is not too much time spent at its sessions, is this not harmful to the basic task? But in the

final analysis, it is this which is right now the basic task of members of the government, and only in close contact with the USSR Supreme Soviet can we achieve tangible results.

And, moreover, the government's attention must now concentrate on the main areas and, in the future, must refrain entirely from petty tutelage and waste of effort and time on solving problems that the lower level of the administrative structures can cope with completely. The necessity for a basically new approach to the USSR Council of Ministers' work ensues from this. This was considered in the draft of the law on the USSR Council of Ministers that is being prepared.

In conclusion, a few words about scientific and technical progress in machinebuilding. At the Congress's plenary sessions, there were remarks about and desires to spell out this chapter of the program. Actually, it contained sketches, just outlines along which this most important branch should be developed. Moreover, the problems of scientific and technical progress can no longer be studied without an interplay with the steps of radical economic reform, counting on, as in the old days, only on organizational methods.

Even before the discussion at the Congress, a concept for developing machinebuilding was developed in the 13th Five-Year Plan which was based on the large-scale introduction of scientific and technical achievements. Today we must define a concrete program for its realization, taking the requirements of radical economic reform into account.

TECHNOLOGY ACQUISITION, ASSIMILATION, COOPERATION

Moscow Hosts International Machine Building Fair

904G0015A Moscow SOTSIALISTICHESKAYA
INDUSTRIYA in Russian 16 Dec 89 p 2

[Article by N. Kurbanova: "Technology Fair"]

[Text] The "Technology of Machine Building-89" exposition-fair in Moscow closed yesterday. It opened as part of the First All-Union Congress of Technologists-Machine Builders. About 300 enterprises in 15 ministries in the machine building complex, 2 academies of science and 3 state committees participated in the exposition. After strict selection procedures, the exposition included 1,416 exhibits demonstrating the levels attained by contemporary Soviet machine building technology.

As at any fair, products were shown and there was commercial activity.

"Our expectations were fulfilled," said A. Chernukhin, chairman of the exposition organizing committee and sector head at the USSR Council of Ministers Bureau for Machine Building. The technology and products were of great practical interest. About 15,000 contracts were

signed between domestic organizations, while more than 20 foreign firms signed protocols about intentions: the Swiss firm, Miron; the West German firm, Siemens; the Dutch firm, Philips, and others. Specialists from England were interested in a Rotor Production Association development to treat drinking water.

Conversion was the theme which aroused the most interest. This was the first time defense industry enterprises participated so extensively. For example, the Saratov Aircraft Plant demonstrated a model of the S-80 aircraft. This flying hospital is already being put into production. Consumer goods were also not forgotten: frying pans, teapots, mixers, refrigerators...

In the "Conversion" Section the Molniya Science-Production Association displayed more than 200 types of equipment, materials and items in the "Buran."

The Ministry of the Aviation Industry made the largest contribution to the exposition. The fair-exposition demonstrated ecologically clean technologies, various devices and equipment, instruments and control devices; for example, the "Elion" block-module water treatment apparatus offered by the Ukrainian NITs [Scientific Research Center] Potensial. Electrochemical regenerators from the Perm Electrotechnical Plant sold briskly at this fair: 40 were sold and there are orders for more.

Many participants are already conducting talks to set up joint enterprises. Some lucky ones have already received several offers. Medical specialists and representatives from the center for flight control and technology in Shvetsin are interested in an electronic voice synthesizer.

Protocols on intentions will obviously be transformed into contracts.

Thus, the effect of the fair will be felt for many years.

AUTOMATION, AUTOMATED SYSTEMS

Machine Building Official on Automation-89 Exhibit

904G0016A Moscow PRAVITELSTVENNYY
VESTNIK in Russian No 25, Dec 89 p 5

[Interview with A. Kamenev, First Deputy Chairman of the USSR Council of Ministers' Bureau for Machine Building, by G. Lomanov: "From the Drafting Board to the Display"; first two paragraphs are source introduction]

[Text] A postscript to the international exposition.

The Avtomatizatsiya-89 International Exhibition has completed its work in the capital. Our country has organized such a review three times, and so one may speak about a good tradition and about a constant striving of the Soviet government to expand scientific, engineering, economic and trade ties in this field. Our correspondent, G. Lomanov, asked A. Kamenev, First

Deputy Chairman of the USSR Council of Ministers' Bureau for Machine Building, to comment on the more interesting innovations of the Soviet exposition and to tell about trends in developing automation equipment.

[Kamenev] It is hardly necessary in this era to prove that automation and computer equipment play a key role in a radical rise in the effectiveness of all branches of industry. Automation equipment will enable labor productivity to be raised sharply, high product quality to be achieved, and labor and material resources to be saved. But in the final analysis, comfortable conditions are created for work, freeing people from routine operations. Automation is not an end in itself, it is called upon to facilitate and to make man's life comfortable, not just in production but also in the nonindustrial sphere.

There were nine thematic divisions in the exposition, and it is not right to single out one of them. But still I would begin with the machinebuilding complex—for only it is capable of supplying other branches with modern equipment and of giving the national economy basically new technologies. But for this purpose, one of the most important tasks must be resolved, that of providing the developers of new machinery with automated design systems.

[Lomanov] SAPR (automated design-work system) technology was presented fairly comprehensively at the exposition, but, in surveying the exposition, I involuntarily think: on the stands there are high-speed computers, printers and graphmakers, but most design institutes use, as before, the drafting board, the pencil and the eraser.

[Kamenev] Actually, the development of SAPR has been hampered in our country because of the lack of capacity for producing the components base and a shortage of computers of various capacities and peripheral devices. Also inhibiting are the absence of an overall philosophy for the construction of integrated circuits and a lack of coordination in software. In order to get rid of these deficiencies, CEMA members adopted, within the framework of the Integrated Program for Scientific and Technical Progress, a program developed in detail which coordinates the creation of SAPR. About 300 organizations and 6 joint scientific collectives participated in realizing it. And the current exposition graphically demonstrates those positive achievements which the program has given, an overall programming philosophy was developed and put into practice, and an SAPR "nucleus" and various subsystems were created which will permit integrated SAPR to be used in the most diverse branches of the national economy.

At the start of the five-year plan, machinebuilding had one automated workplace for about 170 engineers and technicians, but right now there is one for 70. There are positive achievements, but it is not worthwhile to delude ourselves. The fact is that 5-7 years ago the developers proposed that the basis of the ARM's [automated work stations] would be powerful computers. Experience has shown that in this field automation relies upon personal

computers, and we lag greatly in their output. Soviet specialists have created superb systems, but...on the basis of American PEVM's [personal computers]. It is not accidental—they were combined with Soviet systems, the wide output of which will begin in 1991. And although it is not widely believed that there will be a surplus of Soviet personal computers soon, we are getting ready for and we are expecting this.

[Lomanov] The Soviet division displayed about 750 exhibits—you get lost involuntarily in the diversity of all sorts of sensors, instruments and monitoring systems. Could you name the most promising equipment resources of automation shown at the exposition?

[Kamenev] The task is really difficult—practically all kinds of instruments and automation equipment were shown at this showing. Among them I would take note first of all of those developments in which the newest achievements of science, microelectronics and progressive industrial processes were used. These are, in particular, various flowmeters based on optical and Doppler measurement methods that were developed by USSR Minelektrotekhpribor [Ministry of the Electrical Equipment Industry and Instrument Making], a set of instruments for measuring environmental parameters that use the superconductivity effect, and acoustic-level gauges. The VT-50 X-ray industrial microtomograph, the portable VVM-337 vibration-diagnostics equipment, and a number of other sets of instruments at the exposition represented a new generation of equipment for nondestructive monitoring and vibrometry.

[Lomanov] It is mainly specialists who go to the thematic exhibits. Avtomatizatsiya-89 turned out to be a happy exception—there were always in the pavilion many ordinary visitors who came here not out of professional interest but out of ordinary human curiosity.

[Kamenev] In organizing the exposition, we tried to show the urgent production problems and, at the same time, to pay as much attention as possible to the nonindustrial sphere and to social problem-solving. Certainly it was not just the specialists who were interested in becoming acquainted with the automated system for monitoring atmospheric pollution, in taking a look at the

instruments that determine the concentration of harmful compounds in exhaust gases and industrial discharges, and in finding out how it is possible to determine the nitrate concentrate in vegetables. The ecology and medicine were the subject of special concern by the scientists who create automation equipment. As an example, one can point out the Zdorovye automated state information system that VNIINS and USSR Minzdrav [Ministry of Health] specialists developed. The data base for this system is augmented monthly with information about sick people. The information has been classified for 25 types of illnesses and 20 age groups. But this is not simply verification—data about air pollution, drinking water, and the results of weather observations are entered into the system monthly. In comparing all this, the system discovers the most essential factors that provoke illnesses. It operates in 200 cities of the country, and the information obtained from the Zdorove AGIS has become the basis for various nature-conservation measures, and it has been used in the preparation of most important government decrees.

[Lomanov] More than 550 foreign companies had exhibits at the exposition. Could you describe at least in general terms the directions along which automation is developing abroad?

[Kamenev] There is above all a higher level of "intelligence" of the controlling devices. There is a striving to automate scientific experiments completely, and to free the scientist from routine work. Increased attention is paid to the creation of expert systems, flexible automated production facilities, and, finally, SAPR. Our foreign colleagues are paying greater attention to the reliability and convenience of computer systems. More briefly, for sure, it is difficult to tell, but all these trends were discussed at a scientific and engineering symposium which went on simultaneously with the exposition's work.

The only thing that remains to be said is that the output of 12 joint enterprises were shown at Avtomatizatsiya-89 stands—our country is being included more actively in the international division of labor, and scientific, engineering, commercial and, what is more, simply human contacts are being expanded.

RAIL SYSTEMS

Minister Interviewed on Railway Difficulties

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[Interview with USSR Minister of Railways Nikolay Semenovich Konarev by PRAVITELSTVENNYY VESTNIK correspondent V. Belyayev under the rubric "You Have the Floor, Comrade Minister!—Topical Interview": "Are We Overstraining Ourselves?"]

[Text] *Many are troubled by the strained situation of rail transport today. We have been receiving more and more letters in the editorial mail from readers proposing that our newspaper give the floor to USSR Minister of Railways N. Konarev so as to get, as they say, "firsthand" information on the operations and plans of the railroad workers. We are here publishing an interview by our correspondent with the minister.*

[Belyayev] So then, Nikolay Semenovich, a difficult year for the railroad workers is drawing to a close. The period at the end of the summer—the beginning of October—proved to be especially difficult. Reports on the railroad situation that appeared in the mass media at the time looked more like communiqués from the front line...

[Konarev] Yes, you're right. An extreme situation had developed at that time in supporting both freight and passenger transport. The actions that were required were consequently also extreme ones. And the decree on urgent steps to ensure the uninterrupted functioning of rail transport and the base sectors of the national economy, as well as the USSR Law on the Procedure for Permitting Collective Labor Disputes (Conflicts), that were adopted at the beginning of October by the USSR Supreme Soviet played an exceptionally important role herein. Strikes in rail transport were prohibited by these acts of the supreme legislative body of the state. All were thus given to understand that no inter-ethnic, inter-regional or other clashes could be transferred to rail transport. Their spread to our sector, after all, is of a simply anti-national nature and, consequently, the state can and should protect itself from them.

So then. The adoption of that legislation helped the railroad workers to stabilize operations on the country's whole system. We had, for instance, long been unable to arrange the delivery of freight to the Armenian SSR due to the events in the Transcaucasus. But we were able to surpass the nominal volume by hundreds of railcars daily, not just correct the situation, from the middle of October to the end of November.

All freight held up at border stations has also proceeded along our trunk lines. The order of the USSR Council of Ministers obliging the railroad workers to dissolve "import" congestion was fulfilled in 10 days.

[Belyayev] Matters have gotten worse in Armenia today once more?

[Konarev] Indeed. The actions of extremists from the Popular Front have led to the fact that shipments on the Azerbaijan Railroad are frozen once again. Some 1,958 trains—many of which had freight for Armenia—were not dispatched over the last five days of November and first five days of December. This transport "clot" could bring to naught the efforts of the railroad workers of the whole country aimed at creating normal conditions for the operation of the national-economic system in the winter. It still must be stated that the government of the Azerbaijan SSR has done nothing to avert the paralyzation of freight transport across the territory of the republic. It looks like extremists from the informal organizations have gained the upper hand over the republic Council of Ministers. The USSR MPS [Ministry of Railways] is working actively to restore the normal activity of the Azerbaijan Railroad and avoid the enormous losses that were caused by the events of the fall. We do not want to resort to the extreme measures stipulated by the aforementioned decree of the USSR Supreme Soviet, but if the situation does not improve, we will not be able to get by without it.

[Belyayev] Another serious ailment connected with freight shipping is well known: the railroad workers deliver it to industrial centers in railcars and containers, and they pile up at the stations. The USSR Council of Ministers has pointed out the necessity of cutting this knot.

[Konarev] The blame here lies with the irresponsibility of the freight recipients. We recently surveyed the stations of Moscow and Leningrad with the help of people's control. It turned out that there were literally mountains of goods! After the publication of the survey results, Moscow permitted an additional 500 freight handlers and brought in 150 drivers from the official car pools for trucking. And matters moved along.

The situation was corrected in Leningrad as well. Anatoliy Aleksandrovich Zaytsev, the chief of the October Railroad, says, "It had never happened in history that the chairman of the Leningrad City Soviet, starting his workday, assembled information on how much freight had arrived in Leningrad by rail and how much had to be trucked away from the station."

And now a brief word on readiness for winter. A set of measures has been implemented to satisfy the requirements of the national economy for freight shipments. These are improvements in the organization of operations, advances in technology and the more efficient utilization of rolling stock. The rolling stock is not, in my opinion, being utilized very assiduously in many places.

[Belyayev] There's not enough of it in any case...

[Konarev] All the more reason it has to be utilized better. But the supply of rolling stock to the railroads, of course, must also be increased. The fleet should be supplemented, according to our calculations, by 100,000 gondola cars. We also need to increase the fleet of boxcars, which are especially needed in the fall, when we are

transporting agricultural freight. We also, by the way, ship imports in them. That is, candidly speaking, another reason for the jams that arise at border stations: the boxcars are lacking for the one and the other...

[Belyayev] Shipping volume, according to statistical data, has grown by 30-plus percent over the last 15 years, while the value of the fixed capital of rail transport as a percentage of the value of all fixed capital in the national economy has fallen from 12 to 6 percent.

[Konarev] It has fallen by even more than half. Whereas, say, the share of investments in rail transport of the share of all capital investment in the national economy was roughly 10 percent in the 1950s, it is 2.7 percent today. And it turns out that shipping volume has risen by 33-plus percent over the last 15 years, while we have received 2.2 times less funding for the development of transport and therefor reinforcement of its material and technical base.

[Belyayev] Another question in this connection. The railroad workers ship 80-90 percent of general-purpose freight. What about Mintransstroy [Ministry of Transport Construction]? What is the share of railroad construction, out of the overall amount of transport construction, being done by that ministry?

[Konarev] Roughly 30 percent, but we cannot blame Mintransstroy for that. Orders are needed, and if we have the opportunity, we will increase its utilization. But look at what happens.

We requested, by way of example, some 9 billion rubles for construction and installation for the current five-year plan. Then USSR Gosplan "chopped" our request to 7.3 billion, which did not satisfy us at all. Do you think our protests were taken into account? Not a bit. The final sum was 6.3 billion rubles. But it looks like we won't even get those funds.

I cannot help but say that we have come to a pass where those state institutions on which the development of the material and technical base of rail transport depends are obliged to evaluate its situation in very responsible fashion. And it is essential, of course to adopt the state program for the modernization and upgrading of the railroads that we have prepared in accordance with the 17 Dec 89 resolution of the CPSU Central Committee Politburo. The program envisages the launching of operations in this direction in 1991-2000. It has been transmitted to USSR Gosplan, but its acceptance is constantly being postponed. If matters proceed in this way in the future, we will, pardon the expression, be in a mess.

The adoption and realization of the program I am talking about would allow the railroads to reach a qualitatively new level of operational quality, raise considerably the running speeds of trains, increase the reliability of the equipment and, as a result, eliminate the major losses of

national income from the "transport inadequacy" of the national economy, valued at some 10-12 billion rubles a year today.

On the other hand, even though the material and technical base is, of course, in need of renewal and strengthening, that does not signify that our railroads cannot assimilate the necessary shipping volumes. We just have to make more intensive use of advanced technology. That includes, in particular, increasing the amount of enhanced-weight railcar turnover. Appropriate opportunities for that exist, which we are augmenting by developing and lengthening the track at stations.

[Belyayev] The discussion, as far as I understand it, concerns trains with a weight of 4,000-6,000 tons. Isn't that dangerous? The rails, after all, are worn out, the ties are rotted, and the locomotives themselves are not in the best of condition.

[Konarev] This is not the first time I have heard these objections. A number of specialists are expressing them as well, and these erroneous and patently unsubstantiated statements are for some reason gladly taken up by the mass media. The attention of society is focused on the fact that heavy trains are just destroying the railroads. As a matter of fact, there is considerable slack for increasing throughput capacity. We must strive to see that the proportionate share of trains 4,000 tons and more is increased, not decreased. We must reach an average system-wide train weight of no less than 3,500 tons. We have reached 3,200 today.

You asked whether the heavy consists wear out the rails more quickly. Even some of our railroad workers share that opinion. What can be said here? They mastered their materials-strength studies at the institute poorly. The rail, as they say in materials strength, flexes, and that depends on the axle load. If it is no higher than 24-25 tons, the rails do not suffer.

But you are correct as concerns the locomotives. Almost all of the VL-22 electric locomotives on the Sverdlovsk Railroad, by way of example, are of prewar or postwar manufacture. We must replace them, but we can't—there's nothing to replace them with.

[Belyayev] But how many rails are there that are beyond their service life anyway?

[Konarev] About a third of the total length of the main track has rails that are beyond their service life or do not correspond to the loads. That is too much. And our railroads get 4.8 times more service from the rails than American ones, and 8 times that of the West Germans.

[Belyayev] Is it true that there is 16 billion rubles worth of freight on the railroad system at any given moment?

[Konarev] Yes. I am talking with you now, and 42,000 freight trains are running on the system. There are 20,000 passenger and commuter trains in motion as well. No railroad system in the world has such a load. And it would not be superfluous to point out once more that we,

with about 13 percent of the total length of railroad track in the world, provide half of the worldwide freight turnover by railroad.

Are we overstraining ourselves? We are if we don't get more rails. Our minimal requirement is for 3 million tons of rails, and we are getting 2.2 million.

USSR Gosplan and the metallurgists, by the way, were charged with reaching a delivery level of 3 million tons of rails a year at the February 10 meeting of N.I. Ryzhkov with the railroad chiefs. But we are not feeling any forward movement. The upgrading of the rails, not to mention other fixed capital, is not occurring, and their depreciation is consequently getting worse.

[Belyayev] That means that traffic safety rests chiefly with the people. Today about 13 percent of the families of the railroad personnel, however, need improvements in their living conditions or are "quartered" in decrepit or emergency housing...

[Konarev] True, it is a bad picture. Why, you ask, doesn't MPS build housing for the railroad personnel? That is, after all, our direct concern and obligation. But it is all very simple—there is no money. Rail transport has been transformed into a subsidized industry. It had supplemented the state budget through its own high profitability for a long time before. But the freight rate scales have not been reviewed since 1948. That is advantageous to the state: shipping is cheaper.

The equipment, locomotives and rolling stock are getting more expensive at the same time. Wholesale prices for everything went up in 1982. Electric locomotives, for example, became 2-2.5 times more expensive. The price of a railcar has gone up one and a half times over the last 7 years. Electric power has gone up 56 percent. And whereas railroad transport was able to invest 5 billion rubles a year in the budget from its net profit for the upkeep of other sectors of the national economy in the 1950s and 1960s, today we are in a state where we need help from the budget. This year, 1.8 billion rubles, and in the coming year over 2 billion.

We have not been getting the necessary funds for housing construction for a long time, and there is a ban on in-house financing. The proportionate share of capital investment in housing construction in railroad transport over the last 25 years has been 2-3 times less than that in the national economy overall. Funding for the construction of 0.47 square meters has been allocated per railroad worker, while it is one square meter for the national economy overall, two in metallurgy and 2.2 square meters for the coal workers...

We have achieved some positive shifts in housing construction nonetheless. We were able to redirect 856 million rubles from our own resources in 1983-88 by reducing production construction. Some 11.4 million square meters of new apartments—17 percent more than over the six prior years—were put into service over that time interval. The start-up of housing has increased by

one and a half times over the last three years. Such are the facts, even though we cannot, of course, be reassured or pleased with the situation in the social sphere.

The use of the old freight rate scales has led to the fact that the profitability of rail shipping has dropped three-fold over the last 30 years. The passenger rates have not been reviewed since 1949 either. Today they are such that passenger transport will become a losing proposition in the near future as well. It is ludicrous to say, but we get a kopeck from a commuter-train passenger for ten kilometers! Less than a trolley. The subway is not profitable either...

[Belyayev] But if passenger service does not improve on those same long-run trains, the public will not accept such a measure. If the passenger does not receive bedding, if that bedding is wet, if the cars are as dirty as they are today... The railcars were far cleaner, I remember, after the war.

[Konarev] But tell me, how can you raise the level of passenger service without the funds for it? You say that after the war... The number of trains was many times smaller back then. Passenger transport has grown by 4.3 times. If we take world passenger transport as 100 percent, our share is 27 percent. You might be surprised by this number, but I would ask that you cite it in the newspaper: we transported 9 billion 188 million passengers on all forms of rail transport, including subways, in 1988. Almost double the population of the world! Not a single country in the world knows such volumes, either in absolute terms or adjusted for the length of railroad lines.

At the same time, objectively evaluating the state of affairs, it must be acknowledged that service for passengers is lagging behind their needs. Your newspaper justly pointed that out in the feature "Directing the Attention of the USSR Minister of Railways" (PV No 20). It is difficult to buy a ticket on a number of railroads, especially in the summer, and only last summer were more than fifteen hundred additional ticket windows opened on the system. This made possible somewhat of a reduction in the lines. The method of filling out tickets and accepting orders directly at enterprises has also become more widespread.

The lines at ticket windows occur chiefly because up to 60 percent of the tickets for the whole railroad system are sold manually. There are not enough seats on the trains on a number of routes during peak periods. We are incorporating the Ekspress-2 automated system for managing ticket sales. It is in operation on 13 railroads today, and another two systems will be placed in service before the end of 1989, in Novosibirsk and Tashkent. The Ekspress-2 ASU [automated control system] makes it possible to extend the time period for the advance sale of tickets to 45 days and to increase the labor productivity of the ticket sellers by 1.5-2 times.

The ministry is increasing the dimensions of passenger traffic in order to provide for increasing passenger travel

and to improve the transport ties among regions of the country. There are 16 new long-run trains running on the summer traffic schedule for 1989.

Shortages of passenger cars are hindering the realization of the efforts of railroad personnel. We are requesting 24,000 railcars for this five-year plan, but we will evidently receive fewer than 16,000. Up to 30 percent of our passenger cars have now exceeded their service life, and we were short more than 9,000 cars this past summer.

The railcars builders are possibly unable to handle our orders, which are, frankly speaking, not all that large. But then it would probably be possible, say, to stretch out the start of classes at higher educational institutions and technical institutes between September 1 and October 1; it would be possible, say, to shift the date of the call-up or discharge of draft servicemen into the reserve. Or else, after all, all of this falls in the 3-5 months at the end of spring and the start of fall. We are advancing such proposals, but they are still not listening to us.

[Belyayev] I was talking with a veteran railroad worker before our meeting. I asked him, "How can order be restored to transport?" He answered that people need to be mobilized, that they must be permeated with a sense of responsibility for their work. What do you think of the rehabilitation of political bodies in transport in this regard?

[Konarev] I feel there is no need for that. The level of awareness of our workers is quite high. The railroad workers operate with a feeling of great responsibility for the matter entrusted to them. I think that the measures proposed by the USSR Council of Ministers and supported by the Planning and Budget and Finance commissions of the Union Soviet of the USSR Supreme Soviet relative to the additional allocation of hundreds of millions of rubles to satisfy the social needs of railroad personnel will be just the thing to help us arrange our work.

[Belyayev] Statements are appearing in the press, on the other hand, that a railroad is a semi-military organization, that this "semi-militariness," as they say, must be strengthened. Your opinion?

[Konarev] If by "semi-militariness" they mean raising discipline in transport, I am for putting the question that way. Lenin emphasized that discipline should be double in transport, but it should be a discipline of awareness.

[Belyayev] Many are talking about thefts on the railroads...

[Konarev] The size of armed security has unfortunately been reduced. While the volume of shipping that should be protected has grown by 5-6 times, the size of security has been reduced threefold at the same time. This is explained by attempts to economize.

[Belyayev] Which is cheaper—plundering or paying for security?

[Konarev] I think it would be more advantageous to increase the armed guards. Roughly 7 million rubles were stolen in 1988, consumer goods, mostly imported ones. It is very unpleasant that railroad personnel take part in these thefts. They try to cover it up in some places and reduce everything to petty theft.

Our discussion, judging from everything, should be concluded, and here I cannot fail to mention the following fundamental consideration: we cannot, after all, have the freight recipients and freight shippers putting off 26 percent of the unloading and 30 percent of the loading until nighttime! We cannot have the transport shops of enterprises resting on Saturdays and Sundays with railroad transport working around the clock! That is entirely inadmissible! Especially in winter.

And another thing. An all-union conference of the country's railroad workers, as is well known, has been held. Many exceedingly important issues were raised in the speech by N.I. Ryzhkov and in the debates on the report of the minister of railways, the very discussion of which should serve as a good incentive for all of the work of the sector. That was the opinion of many of the participants in the conference, in any case.

[Belyayev] And what if you were to tell the readers of PRAVITELSTVENNYY VESTNIK in April how our winter of discontent goes? It will at least be noteworthy in the regard that the railroad workers have now begun the assimilation of the whole length of the capacity of the BAM, which has just been put into permanent service...

[Konarev] I agree. But I would like the framework of the new discussion to be broader: let the readers send in their questions, and we will answer them together. Proposal accepted?

[Belyayev] Accepted. We will await the letters. Until our meeting in the pages of the newspaper!

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Automated Rail Centers Highlighted

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[Article by Yu. V. Bochkov, chief technologist-deputy chief of the Main Administration of Transport of the Ministry of Railways: "Automated Centers—for Practical Operations Work"]

[Text] We know that improving the online control of transport on the basis of widescale use of information-reference man-machine systems based on computer equipment devices is the main task of creating and developing ASUZhT [automated railroad transport control system]. In 1988 on all roads of the network the introduction of a technical and technological basis for automated transport control systems [ASOUP] was completed. By this time, road-information computer centers and data banks, quite well equipped with computer equipment, had been set up on all the mainlines to solve

operations problems (information on each dispatched train, on exchange of trains and locomotives and junction points of the roads, data on the train position at assigned stations, important lines, etc.). Automated control systems were already in operation at 96 main classification stations.

In consideration of the work done in the last few years, the decision was made to make the transition to a new stage of fulfilling programs to introduce computer equipment into the sector's work—to organize automated transport process control centers on the railroads. Widescale practical work was developed to create ADTsU [automated centralized dispatcher control] on the roads.

An Urgent Problem

Railroad transport is a unified production system throughout the territory of the country. Therefore, the greatest efficiency of transport control may be achieved only with maximum centralization of online management of train and freight operations. After all, there are now over 150 inter-road junction points on the network, the work of which determines the transport process on the "steel rails." In addition, there must be constant monitoring of a number of intraroad points, which affect the shifting of the car fleet among individual regions of the network.

At present, the division train dispatcher carries out direct monitoring of the movement of cars and trains on the sections. Only the train dispatcher really controls the train traffic. The road dispatcher, and especially the inspector-dispatcher of the MPS [Ministry of Railways], is 3-5 hours and more behind the actual events. To increase the productivity of the locomotives and cars and ensure the smooth flow of heavy and connected trains, the extent of the dispatcher sections must be increased, but not, however, boundlessly. The need to centralize dispatcher management thus arises.

The first practical step in this centralization is the experiment of the Donetsk Railroad, on which a course was taken toward locating the train dispatchers of the divisions at a single road center (YeTsU). At present practical work in setting up road control centers (DTsU) is being carried out on the Belorussian, Northern, South Urals, Far Eastern and a number of other roads.

Studies made by control specialists attest to the potential for placing up to 20-30 direct executors under the jurisdiction of one director. Therefore, it is possible and expedient to locate the more than 920 dispatcher sections existing on the road network in 45-50 control centers. With this concentration of the dispatcher staff, it will be possible to reduce the number of dispatcher sections by approximately 40-50 units, while simultaneously raising the level of management. Consequently, it is expedient to have on the road network up to 45 transport process control centers, coordinating their operations by means of the computer from the Main Transport Administration of the MTS [Ministry of

Transport Construction—sic—MPS?]. This permits the transition to be made to a three-unit system of transport process operations control, "Main Transport Administration-control center-station."

Studies made by VNIIZhT [All-Union Scientific Research Institute of Railroad Transport] show that the quantitative composition of the centers, boundaries and size of the network polygons served by them should ensure maximum stemming of the flows retained in the region of the dispatcher center (loading means of transport primarily through their own resources). At the same time, maximum possible coincidence of the boundaries of the polygon served by the center with the sections of operation of the locomotives and locomotive brigades should be achieved.

Within each polygon served by the center there should be a group of classifying and technical stations, providing steady processing of the car flows. To create the capacities of the polygon needed for high-quality efficient planning of train operations and formation of a flow at these stations, the center must be located at a distance of at least 150-200 km from them. At the same time, it is expedient to specify that the length of a guaranteed running section for loaded cars without technical service be about 500-600 km.

The zone of the center should have its own base for all types of repair and technical service for locomotives and cars. Finally, there should be ensurance of complete and efficient use of the control devices available on the polygon and creation of a sectorial control staff, capable of efficiently directing the production-economic activity of the line enterprises. For an efficient solution to the problems involved in developing technical devices at the centers, it is also expedient to concentrate the staff of economic management of all line enterprises taking part in the transport process.

Therefore, in the future, centers, in accordance with their own organizational-legal status, will present a new production system, which will permit making the transition to control according to the system "Ministry of Railways-control center-line enterprises." An important distinguishing feature of this system will lie in ensuring, on the basis of modern computer equipment, the use of advanced new forms of online management of the movement of the train flows on major polygons and lines with a great expanse, and the creation of actual conditions for introducing comprehensive intensive technology for railroad operations.

In addition, creating a network of centers makes possible considerable simplification of the structure of control, with a simultaneous increase in the flexibility of control and the efficiency of the decisions made, strengthening of the centralized online management of the operations work under the new conditions of economic activity of the line enterprises. The management of the locomotive and car fleets will be improved. The train dispatcher sections, which are brought into conformity with the

transport technology, are being consolidated. Centralizing the online management of the operations work will increase the role and intensify the influence of traffic commanders on the results of the production-economic activity of the line enterprises and will make it possible to release about 15,000-20,000 persons, with a yearly wage fund of 40-50 million rubles, from the administrative staff.

The Organization-Technical Base and Operations Technology

Improving transport control through creation of a network of dispatcher centers is based on the new technical and organizational-technological structure. It includes five levels:

- STsB [centralization, signalization, blocking] devices at stations and open lines, and henceforth devices for computing information on rolling stock as well;
- local automated equipment to gather information from the devices of the first level, ensuring processing, reshaping and issuing the necessary information to the work places of the operations personnel, as well as information-control complexes, for direct control of the technological processes at stations and a number of other enterprises;
- station or junction control with the appropriate bank of online-technological data on the operating activity of stations and junctions and equipping the work places with personal computers;
- unified automated dispatcher road control centers with powerful computers and personal computers at the work places of the dispatcher staff of all levels and services, as well as the directors of the roads;
- an automated transport process dispatcher control center located at the MPS, for the entire railroad network, based on superpowerful computers and personal computers at the work places of the dispatcher staff and directors of a number of operations main administrations and the ministry.

The ADTsU of the MPS should ensure the development of a plan for the shift-day and longer periods (up to 3-5 days) for the work of the network, prediction of operations situations and solution of optimization tasks, as well as predictive regulation of locomotive and car fleets and other types of resources. Making the transition from transmitting information to a computer from document-primary sources compiled by hand to automated recording of information in the process of compiling the documents is an extremely important task.

In the near future it is outlined to complete the experimental-design work on creation of an ARM [automated work station] for workers in the mass occupations: freight cashiers, station technological center operators, station and depot duty attendants and other workers. At the same time, automated accounting and reports must be expanded, putting the document turnover into good

order and substantially reducing it, and machine documents must be given legal status, rescinding the corresponding traditional forms and blank forms. Classification stations must also solve the problem of optimal control of the routes followed by train and shunting locomotives and automated control of container centers.

A number of problems concerning the traffic schedule must also be solved. Specifically, a system must be developed for automated compilation of the passenger train schedule, joint plotting of trains of all categories on doubletrack and singletrack lines, and coordination of the timetables of trains of all categories at junctions. Transition to automated compilation of the schedule on major polygons of the network must also be ensured. At the same time, the automated car flow organization system should calculate a plan for making up trains for an entire cycle for the network and road levels, including providing information and monitoring compilation of reports on car flows.

The automated technical norm-setting system in effect in the ADTsU ensures calculating the amounts of traffic along inter- and intraroad runs, separation of car flows, and efficient loading at each station, junction and section. Detailing the structure of the car flows in the machine's memory, in consideration of a substantiated distribution of loading according to interchangeable types of rolling stock, will make it possible to calculate a working fleet by type of cars for the railroads. The system of technical norm-setting should include automated analysis of fulfillment of the qualitative indicators of operations work.

With the transition to new control methods, there must be a solution to the major group of problems on creating automated subsystems for control of locomotive operation. Here should be specified long-term planning of the indicators for use of the locomotives of the freight division, yearly and monthly norm-setting of the locomotive park, determination of the need for locomotive brigades, and calculations of efficient section lengths and systems for returning locomotives and the work of locomotive brigades. Automated control of the turnover of locomotives and locomotive brigades on the basis of through traffic control of this process at all levels must also be ensured.

The automated dispatcher control center of the MPS has already been in operation for over one-and-a-half years: The first stage encompasses an improvement in the technology of train operation control and, particularly, organization of the work of the dispatcher staff of the Main Transport Administration. The staff of a unified dispatcher shift includes the Chief Dispatcher of the MPS, the locomotive dispatcher and car distributor, and also inspector-dispatchers by groups of roads—10 groups—and duty attendants for the operating administrations of the MPS.

The dispatcher shift is located in the ADTsU room, equipped with a graphic panel of the railroad network

and an information display board. The graphic panel is made in the form of a panel 26 m long and 6 m high, on which the most important objects of railroad transport, a total of about 600 stations and sections, are displayed. The information display board is a display device for collective use, and is designed for commenting on the situations displayed on the graphic panel, as well as issuing to it individual pieces of information on the train operation on instructions from the Chief Dispatcher for a general survey and for analyses.

In addition to the devices for collective display of information, automated work places for each worker on the dispatcher shift are installed in the ADTsU room. They are equipped with a display screen and keyboard to compose requests for information, and with devices for organizational communication with the roads and the management of the main administration and the ministry. Under the conditions of the ADTsU of the MPS, the volume of manual gathering of information on train operation for the dispatcher staff is considerably reduced. The conditions are thus created for working out, under online conditions, the controlling decisions on regulating train flows, as well as on moving locomotives and locomotive brigades, the operating fleets of roads, the MPS reserve for providing the roads with loading resources, etc.

At the first stage, the ADTsU MPS is an information system, the purpose of which is to relieve the dispatcher staff of some of the telephone conversations and notations on train position, as well as to train operations specialists to work with computer equipment and to receive growing amounts of information. Three basic directions will be singled out in the further development and improvement of ADTsU.

Development and expansion of tasks on the railroad level. The problem involves developing new technology for the work of the line enterprises of railroad transport. This is the most important part of all the work, since it is here that the primary information is produced, and the objectivity and promptness of all the subsequent decisions depend on it. In the near future, work on the locomotive system, calculation of loading and unloading, and organization of tracking each transport unit participating in the transport process is outlined. It is planned to automate the accounting and tracking by using devices for automatic counting and recording of the movements directly from STsB devices.

Development of ADTsU technical devices. Using microprocessor equipment at the line enterprises will make it possible to create a network of computers with high accuracy of the tracking processes. At the same time, at the level of the road and at the MPS ADTsU, computers with high productivity, which can accept, process and store a large volume of information, should be used. The ADTsU also plans to use microprocessor equipment for personal computers, which will be installed at the dispatcher work places.

In "big" computers, an information base is created which is made up from the data received from the road computers, as well as the results of decisions in the road systems, and from normative and reference information with varying content. Lists of data, the conditions for obtaining them and forms of service will be determined for each work place. In accordance with the assigned work conditions for each dispatcher, the "big" computer will prepare a fragment with the necessary information and send it to the memory of the personal computer.

At the same time, along with the use of prepared results, for example, train position, the dispatcher will have the possibility of changing the conditions and comparing the different variants proposed. Use of expert systems will make it possible to foresee the development of events at individual objects and the polygon of control, many hours and even days ahead. In contrast to the prediction which acts according to a strictly determined algorithm, expert systems ensure the adjusting and selection of an algorithm of calculation at the user's discretion. The results of the expert opinions can be issued in the form of graphs, tables or diagrams.

Organization of automated control for train operations. Tracking systems will be further developed. Recording the processes at junctions and assigned stations will make it possible to track the location and predict the movement of individual trains, freight and cars.

In the future the most important task is that of seeking methods for economic evaluation of the decisions made. The control efficiency of each dispatcher will be able to be evaluated according to the economic results.

Work Out and Introduce New Principles More Boldly

The 12th Five-Year Plan is characterized by qualitative changes in ensuring a rise in labor productivity, particularly through use on the roads of the Belorussian method, based on widescale use of new equipment and advanced technology. In order to support further the high labor productivity growth rates (20-25% in the five-year plan), there must be widescale use of automated systems and robotization of the sector. In particular, the problem of uniting 8-10 railroads and 36-40 road divisions on the principles of technological unity should be worked out. For example, there is a possible variant of combining the West Siberian and Kemerovo roads (the former almost fully ensures the feed to the latter of empty gondolas to load coal), the Donetsk and Dnepr, which are related by technological routes, and the Odessa and Moldavia. Along with this, the problem of transferring the Svobodnyy Division of the Transbaykal road and the classification station of Belogorsk to the Far Eastern road merits attention. This will make it possible to create a stable complex for car processing on the Far Eastern road.

The VNIIZhT substantiated and proposed a variant for organizing a unified transport control center within the limits of the Great Belt Circle of the Moscow road. In this case the obstacles arising in the transfer of car flows

at the junctures of the five divisions now existing will be eliminated, food and raw material supply for the city and enterprises will be accelerated and additional maneuvering of existing capacities to organize the transport of long-distance and commuter passengers will become possible. We will also note that consolidating the low-capacity divisions on the railroad network will make it possible, along with the production assignments, to solve social problems more successfully. The economic and social expediency of consolidating production subdivisions, however, does not always find support at the sites—in the republics and oblasts. Unfortunately, individual directors and authorities are ignoring the Lenin-grad principle of extraterritoriality for railroad transport.

The sector's transition to cost accounting also makes one think about improving the production relations between the lower structural subdivisions—stations, sections of track, STsB and communications sections for power supply, car and locomotive depots. An experiment being carried out at Makhachkala—sorting station of the North Caucasus road—to organize unified operations and economic management is interesting. Here, workers of the technical service center for cars, track sections and signalization and communications, and locomotive brigades of diesel shunting locomotives have been introduced into the station staff. Devices for tracks, signalization and communications, the building, PTO [center for technical inspection of cars] equipment and appropriate materials and stock have been turned over to the station's balance. The first results of the experiment were discussed at an MPS collegium. It was noted that a considerable effect, an improvement in the interaction of the workers and a rise in the track maintenance level had been obtained from combining occupations. Exactness toward the technical state of the locomotives increased, some of the operations and financial indicators rose, and a number of social problems were successfully solved. Obtaining profit and raising labor productivity made it possible to raise the wages of the workers.

At the same time, the existence of a number of problems of interaction with technical services, a deterioration in safety at the PTO and a lowering of individual indicators and insufficient attention to the experiment on the part of the road division made it impossible to draw a decisive conclusion and determine its effectiveness. The experiment was extended to 1989, and its principles will be verified further at five classification stations in various regions of the network. We are waiting for the final results of the experiment at Makhachkala: it has been decided to sum them up according to the results of the work in 1989 as a whole. One thing is obvious, however—the Makhachkala multi-sectorial junction, placed under unified economic management, is being well inscribed into the structure of the dispatcher control center.

Searches for new ways to carry out the activity in organizing dispatcher centers will now be made on several roads. For example, the Central Asian mainline

has proceeded to create a new structural unit—cost accounting management for freight transport and passenger service, under the direct jurisdiction of the road administration. All the stations included in the dispatch center and the terminals have entered it. The West Siberian road is working out cost accounting at the Insk and Altay junctions under the conditions of cost accounting contracts between the classification station on the one hand and the locomotive and car depots, track sections, signalization and communications and departments on the other. These economic relations have been established within the framework of the existing economic structure. The work done in Siberia is one of the variants of the interrelations between the railroad subdivisions within the dispatcher center.

A leading role in the process of making decisions on control of transport in the ADTsU belongs to the person who, in the automated systems created, should have the opportunity of active dialog with the computer when solving both technological and operational problems, and of assigning different variants, the best one of which will be selected.

No equipment and technology, however, not even the most highly perfected, will give a full return if the human factor is not taken into consideration in their design and operation. We know that in the early days at the dispatcher center of the Donetsk road, problems arose of a heightened noise level in the room, of "illumination," on a sunny day, of the display panel for collective use, and others. There were problems related to the work conditions at the MPS ADTsU as well. The inspector-dispatchers, who were accustomed to individual offices, ended up in the main room, and could not immediately cope with the new conditions. Suspicion arose in many of the increased level of electromagnetic fields and the presence of impermissible ionizing radiation and lack of correspondence to the norms of certain microclimatic parameters, and suggestions were put forward of an increased sick rate.

On the orders of the MPS VNIIZhG [All-Union Scientific Research Institute of Hygiene] in February-April 1989, a comprehensive study was made of the labor conditions for workers of the dispatcher center staff and an ergonomic inspection of the ADTsU facilities was made. Physicians of the TsSES [Central Sanitation-Epidemiological Station] of the MPS and associates of the Institute of Eye Diseases imeni Gel'mgolets were brought in to check up. This showed that the level of illumination of the work places, the noise and voice interference, the amount of sound pressure, the voltage of the electric and magnetic fields, and the flow of ionizing radiation did not exceed the established norms and standards. The idea of an increase in the sick rate among the dispatchers was not confirmed.

According to the results of the check, corrections had to be introduced only for individual items: the volume of air fed into the room was to be increased (this has already been done) and it was acknowledged necessary to

face the metal surface of the tables and recesses for the legs with heat-insulating material. On the whole the analysis of the documents presented during the check permit the conclusion to be drawn that the main reason for the complaints of the workers at the MPS ADTsU was the sharp break with the so-called dynamic stereotype, caused by the radical change in the nature of work and the surrounding situation.

In order to avoid negative emotions arising with a change in the dispatchers' work conditions, when planning ADTsU on the roads in the future, the design of the facilities for the centers should be approached with great attention. Three variants have now been accepted for the layout of the dispatcher centers: a common room for the dispatchers (Donetsk road, MPS ADTsU), the facilities cylindrical in form, with the graphic panel for collective use located along the perimeter of the inner cylinder of the building, and the work places—in a circle between the inner and outer cylindrical walls (Belorussian road), and the Tashkent variant.

In Tashkent the common room is rectangular, designed for the display board for collective use and the work place of the shift deputy chief of the operations-administration division (senior DGP). Along the walls of the room are individual offices for the train dispatchers. Each train dispatcher, being in individual facilities, can go out into the common room and evaluate the train situation in the direction that interests him. This variant successfully combines the accustomed conditions of individual facilities with a common room, which is an element of the new technological approach.

In September 1988 the Main Sanitation Physician for Railroad Transport approved the ergonomic and sanitation-hygiene requirements for the design of single dispatcher train traffic control centers. Adherence to the norms of this document will make it possible to reduce to a minimum the basic occupational "hazards" for persons controlling train traffic—an increased information load, insufficient improvement in the layout of the work space and lack of correspondence of the work places to optimum ergonomic requirements.

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Freight Car Classification System Detailed

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[Article by M.F. Trikhunkov, professor, doctor of Economic Sciences, M.I. Shar, candidate of Economic Sciences, A.G. Kuznetsov, candidate of Technical Sciences, and O.A. Ivanov, engineer: "A Freight Car Classifier: Purpose and Use"]

[Text] In 1988, USSR Gosplan, by agreement with the USSR GKNT [State Committee of the USSR Council of Ministers for Science and Technology] and the Ministry of Railways, for the first time approved a document important for the national economy—a Classifier of the

all-purpose and specialized freight cars operated on railroad mainlines. The Classifier was worked out by the MIIT [Moscow Institute of Railroad Transport Engineers], the VNII [All-Union Scientific Research Institute] of Car Building and the IKTP [Institute of Comprehensive Transport Problems] at USSR Gosplan, with the participation of the VNIIZhT [All-Union Scientific Research Institute of Railroad Transport], correlated with the existing all-union Classifier of Industrial and Agricultural Products, and approved by USSR Gosplan and USSR Gosstandart. The main administrations of the MPS [Ministry of Railways] (Railcars, Traffic, Container Transport and Commercial Operations, Economic, Statistical Accounting and Bookkeeping, Scientific-Technical) and the Main Scientific-Technical Administration of the USSR Ministry of Heavy Machine Building gave considerable assistance in drawing up this document.

Until recently, no unified coordinated principles had been worked out to classify freight cars as all-purpose and specialized. For example, some specialists considered specialized only cars included in accounting among the group "others," while others included in this type all tank cars, with the exception of oil and gasoline tank cars. Various methods, not inter-comparable, of determining the indicators of the level of specialization were used. This led to dissimilar quantitative evaluations within the country and when comparing with foreign countries. For example, in the United States, all tank cars, box cars and gondolas with special equipment are included among specialized cars, but in the USSR only a narrowly specialized part of them, not counting oil and gasoline tank cars, are included in that category. Therefore, in the United States, the proportion of specialized cars in the fleet at the beginning of 1987 was about 80%, but in the USSR—only about 20%. In recalculating according to the new Classification, the proportion of specialized cars in the MPS fleet (counting all the tank cars) is about 34%. It should be noted that in the country's motor vehicle transport, just as in other countries, tanker trucks of any type are always included among specialized vehicles.

The main purpose of drawing up the Classifier was to establish unified principles for railroad transport to divide cars up into all-purpose and specialized, unified methods of calculating the indicators of the level of specialization and also the procedure for using the Classifier in planning, calculating and analyzing the work of the car fleet, freight transport and freight turnover fulfilled by all-purpose and specialized cars, and planning the demand for and output of new cars for the car building enterprise. It seems that a similar goal and approaches can be used when working up corresponding Classifiers for other types of transport, with their subsequent unification in the general transport Classifier of rolling freight stock for the country's transport system, including industrial transport.

In world and domestic practice, expanding the scales and intensifying the specialization of freight cars has been

recognized as an important direction in accelerating scientific-technical progress in railroad transport and in car building. For the conditions of our country, this direction best meets the requirements for fulfilling the basic tasks of transport—prompt, high-quality and complete satisfaction of the demands of the national economy for transport and a rise in the efficiency of its work. Transporting freight in specialized cars instead of all-purpose ones, just as container and packaged transport, must be included in transport output of a higher quality category.

All freight cars operated in mainline railroad transport, including leased cars and those belonging to the freight owners, are classified on the basis of the description of the freight, the volume of transport and the freight-turnover fulfilled.

All-purpose freight cars include cars of basic types, designed to transport a wide products list of freight with varied properties. These are box cars with door openings, hatches in the roof and (or) transoms in one of the folds of the doors; gondolas, with end doors (end walls); hatches in the floor, linking semirings and clamps to secure freight; flat cars with end lengthwise sides and solid flooring. Specialized cars include cars of various types (including all tank cars) with a special structure, designed to transport one or several groups of freight, similar in its properties and presenting special requirements for the conditions of transport, loading and unloading, as well as cars with special body shapes, devices, equipment and attachments.

Specialized cars are subdivided into two groups: narrowly specialized cars designed, as a rule, to transport one single type of freight, and cars with group specialization, to transport several types or groups of freight—for example, gondolas with a closed body for coal-ore and other free-flowing cargo and flat cars for large containers and wheeled equipment.

The use of specialized cars for the transport of freight not characteristic for it, when they essentially become "all-purpose," should be completely eliminated, since this operation usually causes the transport process to become more expensive in general: the expenditures for almost every operation rise sharply, including the expenditures of the freight owners to clean the cars after some types of freight and prepare them to transport the next. Calculations show that the additional unproductive expenditures for transport and the freight owners in these cases as a rule several-fold exceed the economic effect from a certain shortening of the cars' empty run.

The only features and conditions of social, economic and operational-technical effectiveness from creating and using specialized cars, as opposed to all-purpose ones are: improving the quality of transport and increasing the efficiency of transport service for the national economy through ensuring a high level of preservation and accelerating the delivery of the freight, as well as increasing the static load of a car; a sharp reduction in

labor-intensiveness and the production cost of the loading-unloading work through raising the level of their complete mechanization; an overall reduction or substantial saving of expenditures to prepare the cars for being loaded (cleaning freight remains away, washing, securing and packaging the freight, etc.); achieving the maximum possible ecological effect through complete elimination of or a substantial reduction in the adverse effect of the processes of transporting freight on the environment and human health.

So far, the narrow departmental approach to evaluating even the operational-technical efficiency of using specialized cars has not been completely eliminated. For example, some scientists and practical workers in railroad transport think, as before, that because of the increase in an empty run for specialized cars, their turn-around is slowed down. Analysis shows that the increase in the turn-around time, with the increase in an empty run for the car, proves to be considerably less than the saving in time for loading operations and at industrial stations, particularly when making up route trains of specialized cars. This is confirmed by accounting data throughout the road network and by its individual regions.

The Classifier of specialized and all-purpose cars, approved at the State level, is designed for use for both railroad transport and for all the sectors of the national economy interacting with it. Therefore, the total volume of freight transport (singling out the most important) in specialized cars, in the overall transport volume (dispatching) of freight, singling out the most important of it, should be assigned and approved in the five-year and yearly plans for the economic and social development of transport and other sectors of the national economy. At the same time, the planned assignments for this high-quality transport should be approved by all the transport ministries and departments and interested industrial and agricultural sectors. It is particularly important to establish these assignments for the sectors of the agroindustrial complex and the largest associations and enterprises.

The need to introduce precise planning of freight transport in specialized rolling stock at all levels of management of public production accordingly requires an improvement in the accounting and bookkeeping for this transport. In accordance with the approved Classifier, it is recommended that in the existing statistical accounting of railroad transport, the group of "other cars" be broken up into smaller units, and subgroups of specialized cars in the respective groups of basic types—gondolas, boxcars and flatcars—be singled out. Tank cars of all types, all isothermic cars (refrigerator, icebox), and railroad transporters of all types must be included among specialized cars.

The information on freight cars and their characteristics included in the Classifier, makes it possible to ensure greater precision in calculating the indicators of the amount of work and quality of use of the car fleet, to

reveal the reserves for increasing the throughput and carrying capacity of the railroads, improve conditions for upgrading the regulation and location of car fleets by regions, increase the trustworthiness of numerical calculation of the idle time of cars by types at stations and on approach tracks and solve other problems of managing the transport process and planning car supplies.

The Classifier makes it possible to establish and determine in more differentiated fashion: the number, types and structure of the fleet of all-purpose and specialized cars; the relative proportion of specialized cars in the structure under discussion; the volume and proportion of transport (dispatching) of freight (with the most important singled out) in specialized cars; the volume and proportion of freight turnover (with the most important freight singled out) performed by specialized cars (with integrated processing of the road department's); the norms for losses (monetary losses) of freight; the periods of service and norms for deductions for renovation and repair; the production volume of specialized cars.

The Classifier includes practical recommendations for determining the level, actually achieved or outlined for the future, of specialization of the fleet of cars and development of transport (of a single type of freight, group or entire mass of freight) by specialized cars. Four methods are proposed for calculating the indicators of the level of specialization as a ratio: the size of the fleet of specialized cars to the overall size of the entire operated fleet of the car fleet (by number of physical units); the total freight capacity of specialized cars to the total freight capacity of the entire operated fleet of cars; the yearly volume of freight transport in specialized cars to the total yearly volume of freight transport in all types of cars (according to the tons dispatched or transported); the yearly freight turnover performed by specialized cars to the total yearly freight turnover performed by all types of cars (by net ton-kilometers).

The first two indicators of the level of specialization can also be used for the entire inventorial fleet and supplies of new cars. The third and fourth methods of calculating the indicators of the level of specialization are more correct and precise, since they characterize the relative proportion of high-quality output and work performed by specialized cars. The indicators of the level of specialization may be used when planning scientific-technical progress in railroad transport and in car building.

As a result of calculations based on the data of the complete inventory of the inventorial fleet of freight cars in 1984, indicators of the level of specialization were obtained: according to the number of physical units, counting tank cars of all types (without counting transporter-cars)—31.6%, tonnage of freight capacity—28.8%. Not counting tank cars, the proportion of specialized cars in the total inventorial fleet (according to the number of physical units) for the same year was 16.6%. The values of the indicators of the level of specialization, calculated by the third method on the basis of the data from the statistical report TsO-29 in this same period,

with respect to the operated (working) fleet of cars, was for the proposed classification (counting all tank cars)—33.4%, and of the classification formerly in effect (not counting tank cars) is 19.8%.

In statistical accounting, the proportion of specialized cars must be singled out from the total number of supplies of freight cars. For example, in 1987, the proportion of specialized cars according to the proposed classification, in the total supplies of freight cars (including imported) in the USSR MPS was 48.3%. If, however, you exclude the oil and gasoline tank cars and gondolas with a closed body, this proportion is 36%. It should be noted that in the last 20 years the proportion of specialized cars in the supplies of the MPS has doubled. This makes it possible to bring the level of the specialized car fleet to 35-37%.

The freight car classifier creates a unified base for planning the total size of the car fleet and supplies of new freight cars. The structure of new types of specialized cars is being continually improved. For example, in model 19-758 cement cars, the size of the body was increased by 9.1%, and the freight capacity—by 7.5%, in model 19-923 mineral fertilizer cars—respectively by 10.9 and 9.4%, in model 12-1592 gondolas with a closed body—by 9.2 and 2.9%, and in model 15-1547 four-axle tank cars for petroleum products—by 17.1 and 13.3%. In the future, development is specified of over 30 new models (over 75% of all the cars included in the type classification) of specialized freight cars with increased productivity, mainly on the basis of converting to increased axle loads and dimensions. This will require introducing changes and supplements in the Classifier once every five years, however.

When drawing up and approving, in the future, the general transport Classifier for freight, and possibly also passenger rolling stock, there must be a clear-cut delineation of the concept of specialized rolling stock and special transport. In this case it must be based on the fact that the first, narrow concept relates only to rolling stock of various types of transport (freight and passenger cars, motor vehicles, motorbuses, maritime and river ships, airplanes and helicopters). The second, broader concept relates to individual special types of freight or passenger transport, as integral parts of the country's transport system, including mainline transport in general use, as well as special intraproduction transport (industrial and agricultural).

Special types of freight transport should include petroleum pipeline and petroleum product transport, gas pipeline transport for dry freight (coal, building materials, etc.), including pneumatic container transport, as well as electronic transport or high-voltage electric power transmission lines with a voltage of 35 kV and higher. Among the special types of passenger transport are underground railway transport (subways), high-speed lines for surface mainline railroad transport, high-speed lines for surface or elevated intracity railroad transport,

including transport on magnetic suspension, as well as special air transport and space transport.

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Transport Management Process Analyzed

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[Article by Ye.B. Ayzenberg, professor, doctor of Economic Sciences, and V.I. Germanov, chief of the Economic Service of the North Caucasus Road: "The Reequipment and Perestroyka of Economic Management"]

[Text] The system of organization and technical support of online management of the transport process that has formed is increasingly holding back a rise in the qualitative level of the production activity of the roads. Under the conditions of extreme traffic saturation on many sections, the dispatcher staff is unable to react promptly to the rapidly changing operating situation. This in many ways stems from the extreme overloading of the train dispatchers with secondary operations. In addition to their basic duties, they are engaged in recording the train traffic schedule fulfilled and following up information about it, various types of orders, instructions, etc. A dispatcher has no graphic, preprocessed and ready-to-use information on the state of the train situation on the section.

Under the conditions of late and incomplete information, a dispatcher is forced to make, promptly, numerous responsible decisions related to the sequence of train throughput, planning the admission of locomotives and locomotive brigades, etc. He is not in a position, however, to make sufficiently substantiated decisions to ensure train traffic control on a section with over 8-10 stations, and to possess information on adjacent sections, which has an adverse effect on the quality of transport process management.

In turn, the road dispatcher, in the function which includes coordinating car flows in specific directions, as a rule including 10-20 dispatcher sections, knows the actual train situation to an even lesser degree. Information on the train position reaches him in 3-4 hours and after the event has already come about. As a result, he cannot make a prompt, efficient, management decision, but can only record an event that has happened earlier. This situation in an online transport control process on the road network leads to numerous errors and discrepancies, which reflect negatively on the organization of car flows and the quantitative and qualitative parameters of railroad transport operations.

To be fair, it should be noted that the technical equipment of the transport management process is continuously growing. More and more modern electronic computer and microprocessor equipment is being used. STsB [signalization, centralization and blocking] and communications devices are being improved. Major classifying

and freight stations are making increasingly wide use of the elements of automated control systems. Automated transport control systems (ASOUP) are being introduced, and the work places of the station duty attendant, operators in the commercial and freight offices, shunting and freight station dispatchers, etc. are being automated. Work is being done according to plan to equip sections with centralized traffic control.

This work is also being done on the North Caucasus road. At the beginning of 1989, the Bataysk-Starominskaya section was taken for experimental operation. It is equipped with the first domestic microprocessor system of centralized traffic control (DTsM-Don), developed at the Rostov Institute of Railroad Transport Engineers in conjunction with the road's scientific-technical community. The DTsM-Don system was carried out on series produced MikroDAT hardware. It has central and line control points for intermediate stations of the section. Four color terminals depict the train position on the section. Remote control of the actuating devices is carried out by functional equipment included in the make-up of the dispatcher's work place.

At present, DTsM-Don ensures the gathering and display, on a real time scale, of data on the state of the remote-controlled objects: the position of the switches, the aspects of the train signal lights, the assignment of routes, the occupation of sections, station tracks and departure (approach) sections; there is automated tracking of train movements, with indication of the train numbers and depiction of the graph of the movement executed, on color terminals; the graph of the movement executed is automatically recorded in tabular form; reference information is given to the train dispatcher. Work continues at the RIIZhT [Rostov Institute of Railroad Transport Engineers] and on the road on solving the problems of the second stage: recording the graph of the traffic on a data plotter, conversational mode with the automated transport control system (ASOUP); automatic establishing of routes; the functions of route set-ups at intermediate stations; a work place automated by electromechanics, with expanded functional potentials.

This year the second stage of development of the DTsM-Don has begun, for the Starominskaya-Timoshevskaya section, in accordance with a plan executed by the Leningrad Giprotranssignalisvyaz Institute by assignment of the North Caucasus road. In the future, to complete the development, it is specified that the optimization problem be solved: an automated analysis of the schedule of traffic fulfilled and formation of the recommendations of the DNTs for efficient organization of traffic, etc. The approximate cost of equipment with a system for a section 100 km long, given the presence of ETs [electrical interlocking] at the stations and communications channels, is 100-200,000 rubles.

The technical potentials in the DTsM-Don system make it possible to control almost 30 stations simultaneously from a central post, i.e., the extent of the dispatcher

section, depending on the intensity of the traffic, may be doubled or tripled. This ensures the technical possibility of creating, for example, on the North Caucasus road, instead of nine dispatcher train traffic control centers, three at Rostov, Krasnodar and Mineralnyye Vody and, accordingly, organization on this basis of three consolidated divisions instead of the existing nine. At the same time, with this reorganization, the sizes of the polygons served will be sharply increased, and the number of line enterprises included in the consolidated divisions will grow considerably.

In order not to lower the qualitative level of the economic management, the organizational structure and economic methods of division management must be restructured. The main purpose of this perestroyka, along with raising the qualitative level of transport management, should be the elimination of the multi-unit nature and duplication in the management system, intensification of the economic relations through weakening administrative-command methods, and orientation of all structural units toward the end results of the sector's production activity.

The determining direction for perestroyka of economic management, in our opinion, should be intensification of the horizontal economic ties on the basis of cost accounting relations between line enterprises, divisions and roads, and weakening of the very rigid vertical administrative-command relations between the ministry and the roads, the road and divisions, the division and the line enterprises, traditionally formed in the railroad transport management system. The need for this approach is obvious, since the coinciding of the vertical command-administrative and economic ties at all levels of the organizational structure of the Ministry of Railways with the overwhelming predominance of administrative methods is one of the reasons holding back the sector's transition to economic methods of management.

In the system of cost accounting relations determined by radical economic reform, the basic production formation of railroad transport for general use, as experience shows, should be the road, which is characterized by a relatively complete reproduction cycle, production-economic and organizational-technological independence, territorial individualism, responsibility for social development and ensurance of environmentally protected production conditions.

We know that the basis of the road production structure is the division. It is the division, in the process of integrating the production-economic activity of the line enterprises with varying production specialties, that directly ensures the transport of freight and passengers, i.e., produces the end product of transport. Therefore, the division is the unit of the management system on which the perestroyka of economic management of the sector as a whole ultimately depends. Perestroyka of the division management system is a complex and multi-planar problem. Attempts have repeatedly been made to solve it. At the same time, the demands of practical work

increasingly insistently require fundamental perestroyka of the economic management system of the division. In our opinion, the solution to this problem today lies in reequipping the transport process management system and converting the sector to economic methods of management. As studies made at the RIIZhT show, variants of the perestroyka of the division management system are possible.

The first variant proposes preserving, on the whole, the existing organizational structure. Because of the reequipping of the transport management process and a double or triple increase in the size of the divisions, the size of the management staff must be increased. The division will essentially be converted into a small road. It is with 40-60 such divisions that the existing railroads should be replaced, in the opinion of N.N. Kulagin, doctor of Economic Sciences¹. It is obvious, however, that it is practically impossible to manage such a large number of roads from one center. In addition, the number of junctions will sharply increase, making car flow throughput more difficult. Therefore, 12-15 railroad districts must be created—regional transport formations, ensuring the coordination of the operations and production-economic activity of the consolidated divisions in the assigned polygon. Under the conditions of the transition to economic methods of activity, the managerial functions of the districts, apart from the transport management process, should be restricted only to those problems which cannot be solved within the framework of the divisions. They include: scientific-technical progress and investment policy, planning-financial regulation of economic activity, traffic safety, environmental protection activity, carrying out a unified social policy, etc.

The second variant of restructuring the management of the consolidated divisions presupposes concentrating the production-economic efforts of the divisions on the transport management process and organization of freight and passenger transport. Locomotive and car depots, track sections, power supply, communications, civil buildings and structures and a number of other line enterprises should be removed from the division staff.

The production-organization basis of the divisions for this variant should consist of: freight, commercial, passenger and operational cost accounting enterprises (Fig. 1). Cost accounting transport junctions and operations regions should be singled out in the composition of the operations enterprises. The production structure of the latter should be formed on the basis of dispatcher groups, an association of several small nearby stations, or a major station with a developed system of access tracks. The basic principle of the organizational singling out of the cost accounting operations regions, as it appears, should be production-technological completeness and the possibility of forming cost accounting independence. The structure of the commercial freight enterprises may be made up of commercial freight offices and cost accounting sections in accordance with

the service boundaries that coincide with the subdivisions of the operations enterprises. It is advisable to create independent cost accounting production associations on the basis of a few consolidated divisions and their cost accounting enterprises at the road level—operational, freight and passenger—which should become the core of the road's production-economic structure.

Along with the basic production formations, directly ensuring the process of freight and passenger transport, a group of production subdivisions serving the transport process should be singled out in the road structure, the functions of which would include the maintenance,

operation and repair of industrial means of transport. The most acceptable organizational form for these subdivisions, corresponding to economic methods of management, are road cost accounting sectorial production associations, created on the basis of the existing road services. In their structure it is expedient to create sectorial cost accounting line enterprises, serving the needs of the divisions—permanent way districts, power supply, communications, locomotive and car depots, etc. Moreover, their size should coincide with the boundaries of the divisions served. When necessary, large specialized cost accounting repair enterprises (bases) of the PMS [track machine station] type, oriented toward the

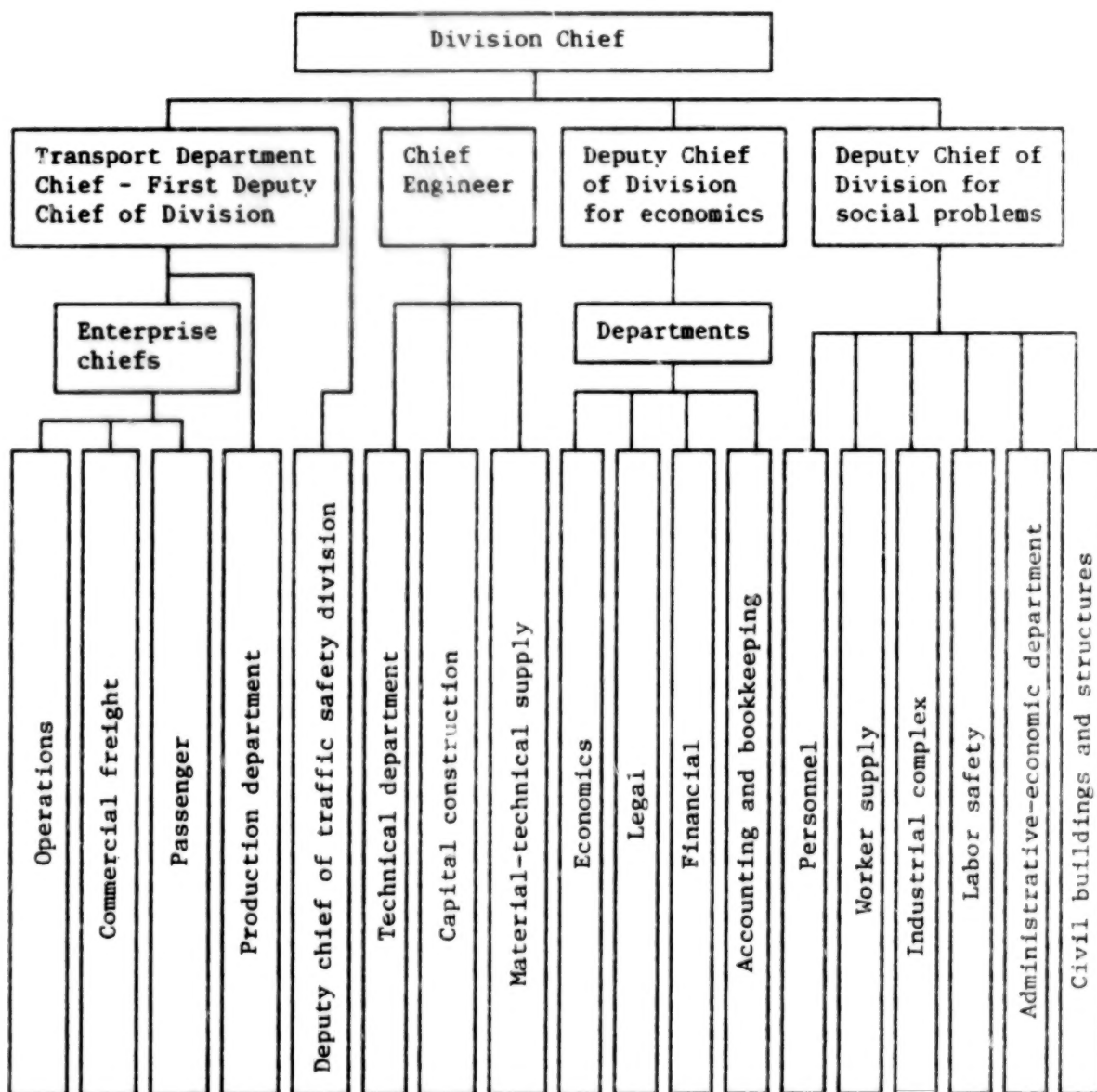


Fig. 1

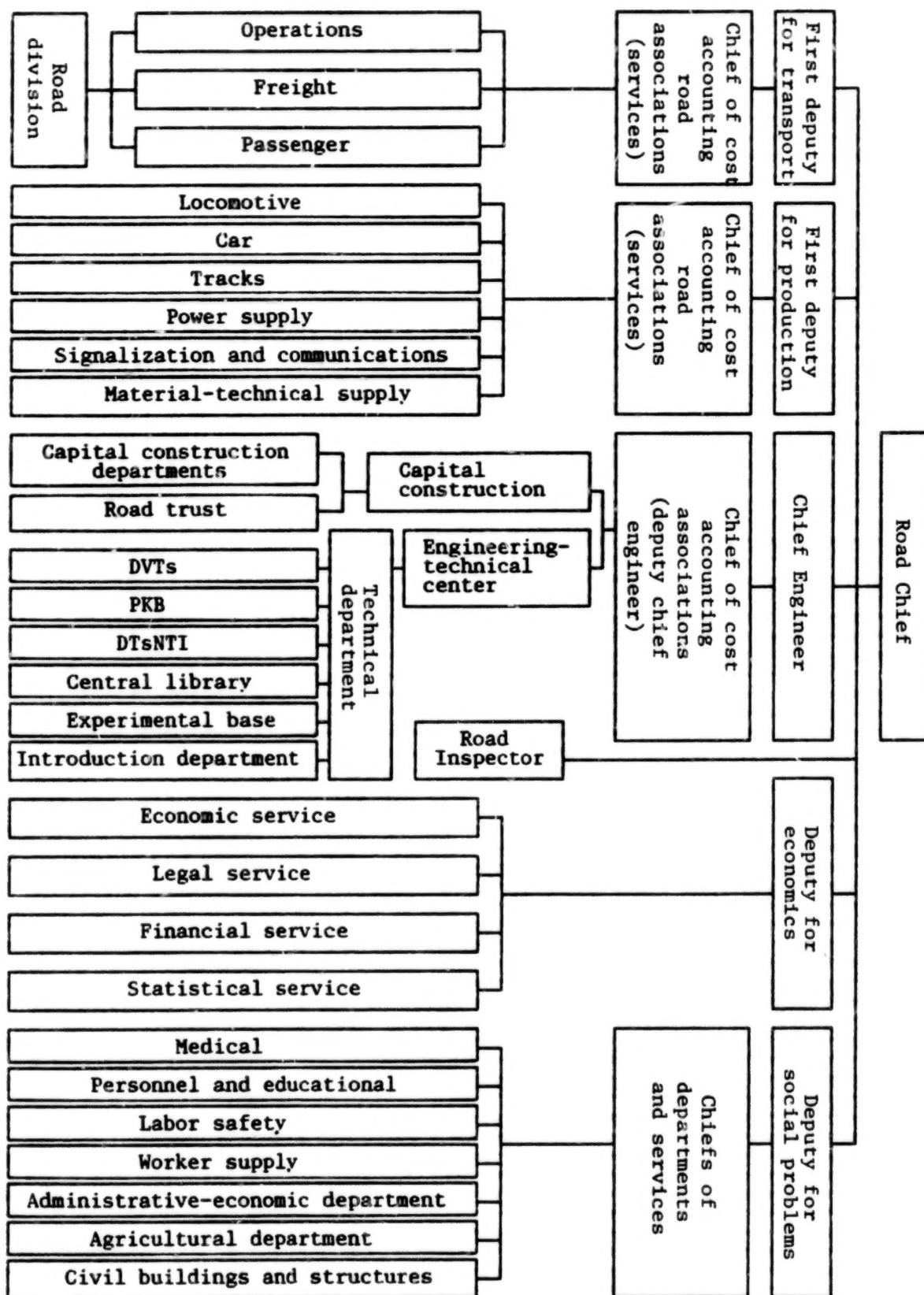


Fig. 2

service of the entire region of the road, may be included in the road production associations (Fig. 2). Considering the ideology of the economic reform, the cost accounting relations within the framework of the road should be constructed on the basis of the division's reimbursing the expenditures of the line enterprises being served through the revenues received by it from transport, serving the freight owners and passengers.

In our opinion, the second variant of restructuring the economic management of railroad transport enterprises is preferable, since introducing it creates more favorable conditions for a transition to economic methods of management and ensures a considerable reduction of the administrative-managerial personnel.

Subdivisions called upon to ensure the scientific-technical development of the transport enterprises should occupy a special place in the production structure of the roads, regardless of the variant of division management. They should make predictions, develop and manufacture test or mock-up models, test and introduce into production new types of machines and mechanisms, industrial processes and control systems. Organizationally, as experience shows, it is advisable to combine these subdivisions gradually into a unified engineering production-technical center, including scientific, planning, design and technological subdivisions, experimental and test production facilities, test polygons and stations, computer centers, scientific-technical libraries, technical information bureaus, etc.

Raising the requirements for the social development of work collectives causes an objective need to concentrate

the resources and efforts of the enterprises and organizations of railroad transport on solving these problems. For this, it is expedient to create, in the organizational structure of the roads, groups of subdivisions ensuring the social development of the collective, which will not only carry out the overall management of the personnel and the social sphere, but also ensure a comprehensive solution to problems of maintaining and developing the material-technical base of the social infrastructure.

Moving economic methods of production management to the foreground imposes heightened demands on the economic activity of the roads. Because of this, it becomes very important to create a unified economic service on the roads. This service should include the following departments: planning, financial, labor and wages, accounting and statistics and others, which should ensure comprehensive solution of the problems of long-term, current and efficient management of the road's planning-financial activity.

Therefore, reequipping the devices for management of the transport process creates favorable prerequisites for radical perestroyka of the system of economic management in railroad transport. Solving this problem on the basis of selecting the most effective variant will make it possible to activate the sector's transition to economic methods of management and to solve the problems of radical economic reform more successfully.

Footnote

1. ZHELEZNODOROZHNYI TRANSPORT, No 11, 1987

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